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Annual Comprehensive Financial Report
Fiscal Year Ended
September 30, 2025

CITY OF DENTON, TEXAS

CITY OF DENTON

DS

n | Collaboration | Quality Service | Strategic Focus | Fiscal Responsibility

CITY OF DENTON
DENTON, TEXAS

Signed by:
Ingrid Rex
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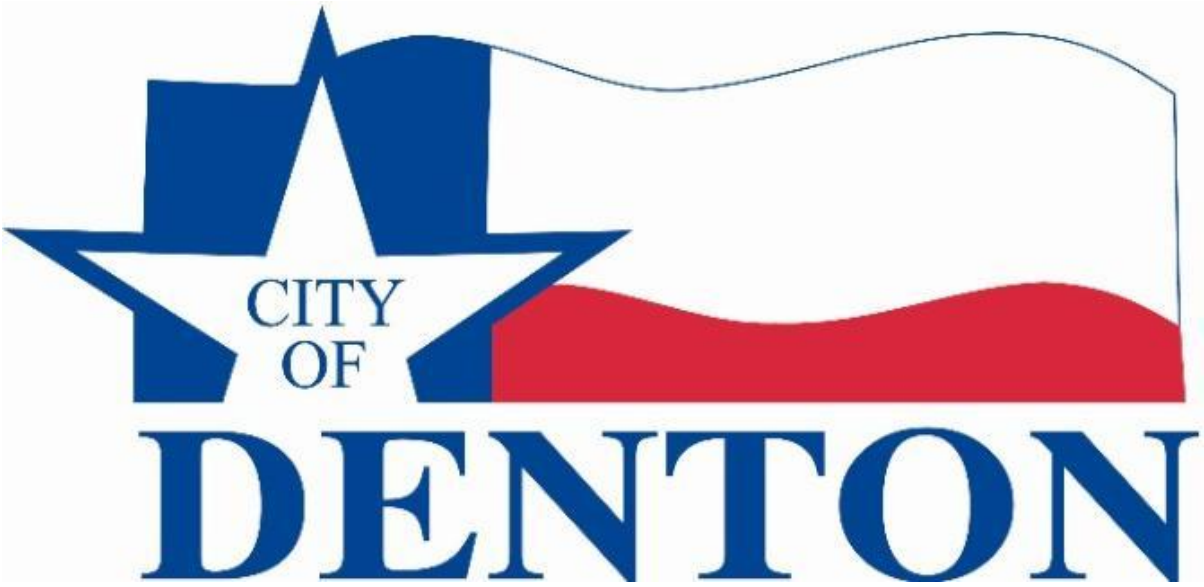
City Secretary
3/25/2026


CITY
OF
DENTON

CITY OF DENTON CORE VALUES

Inclusion
Creating an environment where individuals and groups are valued, respected, and supported.

Collaboration
Listening, being open-minded and forward-thinking, while working together towards a collective goal.

Quality Service
Anticipating, recognizing, and proactively addressing the needs of those we serve.

Strategic Focus
Always thinking with the future in mind.

Fiscal Responsibility
Ensuring financial sustainability through the responsible use of City resources.

CITY OF DENTON

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CITY OF DENTON, TEXAS

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the fiscal year ended September 30, 2025

CITY COUNCIL

Gerard Hudspeth, Mayor
Vicki Byrd, District 1
Brian Beck, District 2
Suzi Rumohr, Mayor Pro Tem, District 3
Joe Holland, District 4
Brandon McGee, At-Large District 5
Jill Jester, At-Large District 6

CITY MANAGER

Sara Hensley

ASSISTANT CITY MANAGER

Christine Taylor

CHIEF FINANCIAL OFFICER

Matt Hamilton, CFO

Prepared by:

Finance Department

City of Denton, Texas
Annual Comprehensive Financial Report
For Year Ended September 30, 2025

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Finance Department
215 E. McKinney St., Denton, TX 76201 • (940) 349-8244

March 17, 2026

The Honorable Mayor, Members of the City Council and Citizens
City of Denton
Denton, Texas

It is with great pleasure that we present to you a copy of the Annual Comprehensive Financial Report (ACFR) of the City of Denton (the City) for the fiscal year ended September 30, 2025. The purpose of the report is to provide the City Council, management, citizens, and other interested parties with detailed information concerning the City's financial condition.

THE REPORT

The Texas Local Government Code (§ 103.001) requires an annual audit for municipalities. In addition, the City Charter (Section 2.13) requires a Certified Public Accountant who, as of the end of the fiscal year, shall make an "independent audit of accounts" and prepare a report to the City Council and the City Manager. This document fulfills the above-mentioned requirements, and the independent auditor's opinion is included in the report for the fiscal year ended September 30, 2025.

The ACFR is presented in three main sections: Introductory, Financial, and Statistical. The Introductory Section includes this transmittal letter, the City's organizational chart, and a list of principal officials. The Financial Section includes the Management's Discussion and Analysis (MD&A), Basic Financial Statements, Required Supplementary Information, Combining and Individual Fund Financial Statements, along with the independent auditors' report. The Statistical Section and Other Supplementary Information include selected financial and demographic information, generally presented on a multi-year basis.

The responsibility for both the accuracy of the presented information and the completeness and fairness of the presentation of the data, including all disclosures, rests with the City, and is based upon a comprehensive framework of internal control established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance the financial statements are free of any material misstatements. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to fairly present the results of our operations in each of the various funds reported by the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The accounting firm of Weaver and Tidwell, L.L.P. has issued an unmodified opinion on the City of Denton's financial statements for the period ended September 30, 2025. As a recipient of federal and state grant awards, a separate audit is prepared to meet the requirements of the Single Audit Act Amendments of 1996 and related Uniform Guidance. As a part of the City's single audit, tests are conducted to determine that the City has complied with applicable laws and regulations related to federal awards.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

CITY OF DENTON PROFILE

Denton distinguishes itself from other cities in North Texas through its vibrant arts and culture scene, robust university partnerships, dynamic community collaborations, and commitment to 100% renewable energy. Originally incorporated on September 26, 1866, Denton has evolved from a serene college town on the outskirts of the Dallas-Fort Worth metroplex into one of the fastest-growing cities in the United States, with a current

population of approximately 158,933. This figure is projected to reach 229,192 by 2040, according to U.S. Census Bureau forecasts. Denton combines a reverence for its history with an eagerness to innovate. The City of Denton is in the northern portion of the Dallas/Fort Worth Consolidated Metropolitan Statistical Area (CMSA). The City is a part of the Dallas/Fort Worth Metroplex and is situated at the apex of a triangle based by Dallas (37 miles to the southeast) and Fort Worth (35 miles to the southwest) providing excellent access to and from all parts of the area. The heart of the city's urban core is anchored by a vibrant cultural arts district within Downtown Denton as well as three university campuses. The community is also recognized for its commitment to sustainability and environmental stewardship, in addition to its focus on health and wellness, highlighted by over 5,000 acres of parkland, more than 60 hiking trails, and numerous recreational facilities.

CITY SERVICES AND ORGANIZATION OF THE GOVERNMENT

The City is a home rule city and operates under the Council-Manager form of government. The elected seven-member council consists of a Mayor and six Council Members. The Mayor and two Council Members are elected at large, while the remaining representatives are elected from single member districts. The City Council enacts local laws, determines policy, and adopts the annual budget, and the City Manager is the chief executive officer for the City.

The City provides a full range of general government services to its citizens including public safety (police and fire protection); public works (construction and maintenance of highways, streets, and infrastructure); parks and recreation; library; planning and zoning; economic development; and general administrative services. The City's enterprise fund operations consist of a utility system, solid waste, and airport operations. The City's utility system provides electric, water, and wastewater services.

The internal service operations consist of Materials Management, Fleet Services, Risk Retention, Health Insurance, Engineering Services, Technology Services, Customer Service, Facilities, and Environmental Services funds. The Materials Management Fund accounts for the financing of Warehouse and Purchasing services which are provided to other City departments. The Fleet Services Fund accounts for the financing of goods and services provided by the municipal garage to other departments within the City. The Risk Retention Fund accounts for the accumulation of resources for the payment of workers' compensation, general liability claims, and insurance policies. The Health Insurance Fund accounts for administration of the self-insurance program for health coverage in the City. The Engineering Services Fund accounts for the provision of internal engineering services to various City operations and capital projects. The Technology Services Fund provides support for the various information and computer systems within the City. The Customer Service Fund accounts for the financing of customer service activities provided to the residents and businesses of the City on behalf of other departments within the City. The Facilities Management Fund is responsible for maintaining all city-owned facilities and vertical construction projects. The Environmental Services Fund accounts for the consolidated environmental-related services provided across the City. The financial statements presented include all government activities, organizations, and functions for which the City is financially accountable as defined by the Governmental Accounting Standards Board (GASB).

LOCAL ECONOMY

As the Dallas Ft. Worth Metroplex continues to grow, the City of Denton is seeing increased growth. In Fiscal year 2024-25, the City continued to see an increase in development and economic activity, resulting in strong property tax collection, sales tax collection, and an increase in return on investment (ROI) revenue from city utilities. Greater than one-third of the total General Fund revenue is generated from property taxes, also referred to as ad valorem taxes. As shown below, the 2025 certified value increased by 7.10%, approximately, or $1,509,020,092 (excluding TIRZ) from the 2024 certified value. Analysis of the increase shows there was approximately $623.3 million in new value added to the appraisal roll due to new growth and construction.

Below is a chart with a detailed breakdown of certified values:

	Tax Year 2024 Certified Total AV	Tax Year 2025 Certified Total AV	Increase (Decrease)	Percent Change	New Value
General Government	$21,246,581,740	$22,755,601,832	$1,509,020,092	7.10%	$599,600,902
Downtown TIRZ [1]	$136,240,592	$172,838,244	$36,597,652	26.86%	$23,677,508
Westpark TIRZ [2]	$165,462,701	$179,489,315	$14,026,614	8.48%	$ -
Total:	$21,548,285,033	$23,107,929,391	$1,559,644,358	7.24%	$623,278,410

[1] Downtown TIRZ - Reflects 90% of incremental value through FY 2039 per Ordinance No. 2010-316.

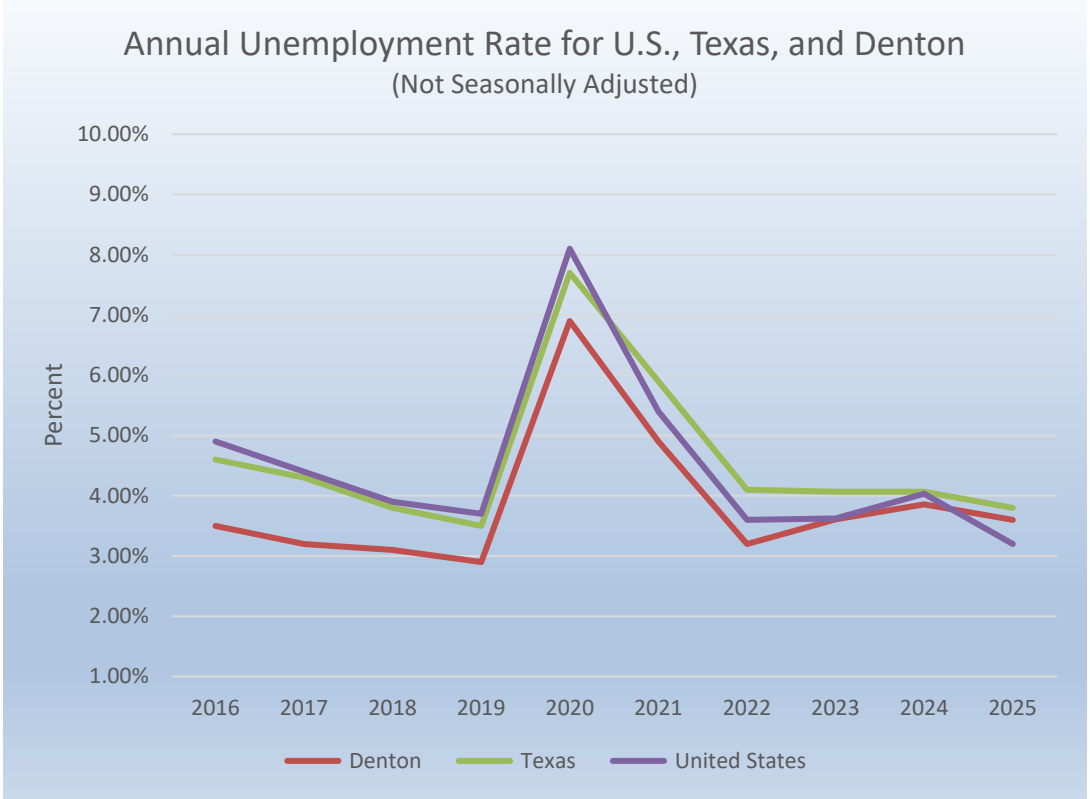
[2] Westpark TIRZ - Reflects 40% of incremental value through FY 2037 per Ordinance No. 2013-033.

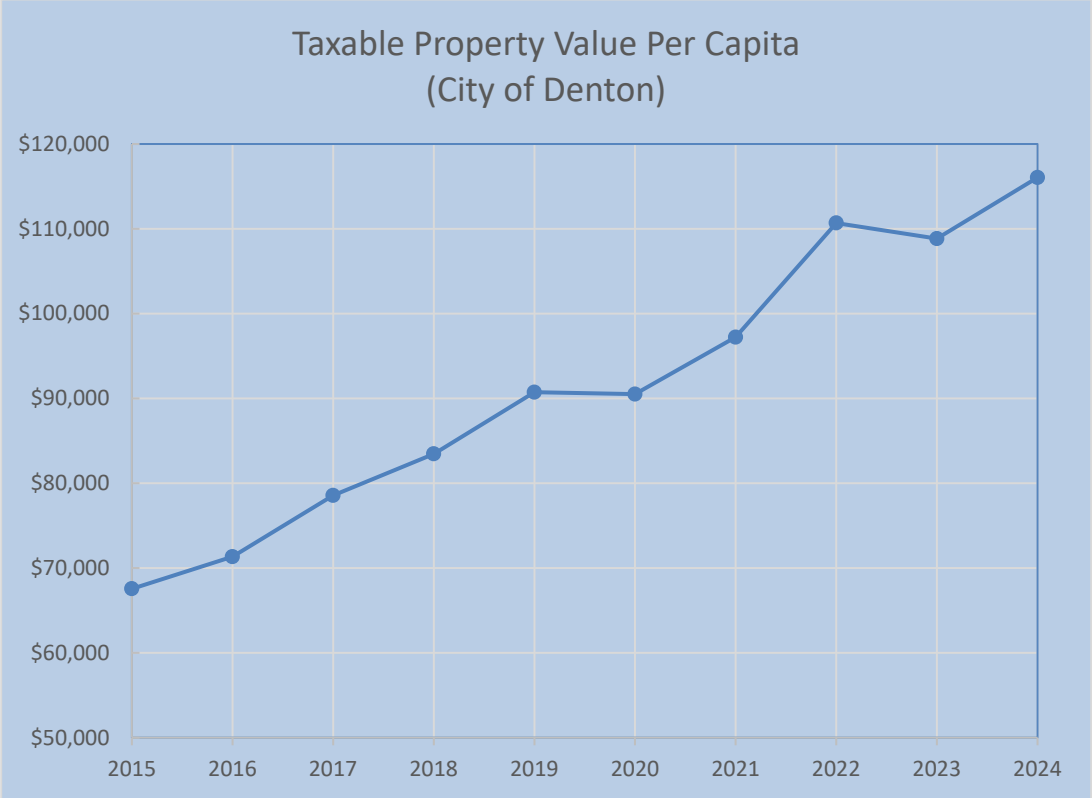
Sales tax represents approximately 28.71% of overall revenue in the General Fund, sales tax is a significant revenue source that is dependent upon a variety of economic factors. For FY 2024-25, total sales tax revenues equaled $58,972,691 which is $1,897,849 or 3.33%, more than the prior year collections of $57,074,842. The budgeted FY 2025-26 collections total $62,944,986 which is 6.74% above the FY 2024-25 actual collection. The chart below illustrates collections over the prior twelve-year period with an estimate of collection in FY 2025-26.

On a budgetary basis, the General Fund received $201.5 million in revenue and incurred $200.7 million in expenses resulting in an increase in fund balance of $0.8 million.

The City of Denton's not seasonally adjusted annual unemployment average rate remains on par with state & national levels at an average of 4.3 percent in FY 2024-25 which has slightly increased compared to 4.0 percent average in FY 2023-24. The City of Denton issued 2,187 residential, commercial, multi-family building permits for FY 2024-25, with an estimated value of $1.2 billion (excluding City buildings, County buildings, schools, and churches). This compares to a total of 1,893 issued for FY 2023-24 with an estimated value of $1.4 billion. The overall permit numbers increased, primarily in single family residential housing.

The following two charts highlight the strength of the local economy over the last ten years by displaying the City of Denton's unemployment rate compared to Texas and the United States and the taxable property values per capita in the City of Denton.





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In fiscal year 2024-25, the Rayzor Ranch mixed-use development in Denton experienced significant growth, enhancing both its residential and commercial offerings.

The Rayzor Ranch mixed-use development is located on both the north and south sides of US Highway 380 in Denton. Rayzor Ranch Marketplace, on the north side of the development, has constructed over 500,000 square feet of retail and commercial space. Sam's Club and Wal-Mart anchor the development that includes a Home Depot, as a recent addition. The Town Center also includes the Embassy Suites Hotel and Convention Center. In addition, a new 300-unit multifamily project, the Village at Rayzor Ranch, opened in late 2019. In 2021, the Residences at Rayzor Ranch opened. This is a 40-acre site that includes 215 three- and four-bedroom town homes as well as 65 single-family homes. Teriyaki Madness, First Watch, Nation's Giant Hamburger and Great Pies are new restaurant tenants at the Town Center. Recent developments include Esmse Nail Spa, Smile Dental and a 148,000 square foot and $22.7 million Target store.

Residential Developments:

Landmark

- Landmark, by developer, Hillwood (a Perot Company), is a master planned 3,200 acre residential and commercial development in Southern Denton. At full build-out, the development will have over 6,000 homes and 5 million square feet of commercial, entertainment and office space. The first phase will include 747 home sites from 9 area builders, 250,000 square feet of commercial development, and 600 multifamily units. The first model homes are anticipated to open in 2026.

Bloomfield Homes:

- A market leading homebuilder focused primarily in the Dallas–Fort Worth metroplex, Bloomfield Homes, is currently constructing 248 new homes in two communities (Country Lakes and Glenwood Meadows) in the City of Denton.

First Texas Homes:

- First Texas Homes has planned a total of 151 homes for the Parkside Community, contributing to the City's residential growth and expanding the housing inventory in the Denton area.

Resia Rayzor Ranch:

- This 433-unit apartment community officially opened in December 2024, offering one-, two-, and three-bedroom apartments with modern amenities such as stainless-steel appliances, in-unit washers and dryers, and granite countertops. Residents can also enjoy a 24-hour fitness center, swimming pool, basketball court, and a forthcoming pickleball court.

Altera Rayzor Ranch:

- In October 2024, Wood Partners broke ground on a 192-unit multifamily community within Rayzor Ranch. This development will feature one-, two-, and three-bedroom layouts, with amenities including a resort-style pool, modern fitness facility, outdoor socializing spaces, and coworking areas.

Commercial Developments:

H-E-B:

- Two H-E-B stores are planned for Denton. One store will be located on a 20- acre site at the Hillwood Landmark development and the other is slated for a location on University and Bonnie Brae. The latter will include a 119,000 square foot store which is scheduled to start construction in Spring of 2026. The Hillwood Landmark location is anticipated to open early in 2027.

Target Store:

- A new 148,000-square-foot Target store, representing a $22.7 million investment, was completed within Rayzor Ranch. This addition will further enhance the retail offerings available to residents and visitors.

During the fiscal year 2024-25, Denton experienced significant retail and industrial development, enhancing its economic landscape:

International House of Pancakes (IHOP):

- In September 2025, the International House of Pancakes opened in one of the outparcels in front of the Buc-ee's Travel Center.

Exeter Property Group:

- Constructed three industrial buildings at the northeast corner of Western Boulevard and Jim Christal Road, measuring 324,000, 421,000, and 1,076,000 square feet.

Enginetech:

- A global plastic injection manufacturer based in India, selected Denton for their North America Headquarters. The Denton location will provide parts to PACCAR (Peterbilt and Kenworth) in Canada, Denton, and Mexico. The company designs, tests, and manufactures their parts and holds patents on the parts and technology. The technology is so unique that they will be the only injection molding manufacturer of engine parts in Texas based on their NAICS codes. The company will create 133 high-paying and knowledge-based jobs over five years, making them a top 20 employer in Denton.

Panel Rey/PR Gypsum:

- The first manufacturing expansion in the United States for a company that produces joint compound used in the construction of residential and commercial projects. Panel Rey is seeking to purchase an existing 60,000 square foot building at 3651 Shelby Lane in Denton as Phase I of their U.S. expansion. The company's planned investment in the building, machinery, and equipment will be approximately $15 million. The project involves plans to create 20 jobs with a weighted salary of $72,733.

Mayday Manufacturing Company:

- Mayday currently maintains a manufacturing facility in Denton and employs approximately 400. Mayday plans to expand its existing facility and estimates that its investment in the building, machinery, and equipment will generate $14.5 million in new capital investment. The project involves plans to create 50 new jobs with an average salary of $54,020.

Lotte Global Logistics:

- Opened an automated distribution and warehouse facility for wellness products comprising 232,000 SF at I-35 Convergence, which was unoccupied for two years. The company hired an estimated 85 employees.

Novartis

- A Swiss pharmaceutical corporation formed in 1996, Novartis, has selected Denton for an expansion of its radiopharmaceutical manufacturing operations. The company is the eighth largest pharmaceutical company in the world by revenue, selling products in 118 countries. Novartis is considering the purchase of an existing three-building site on 20 acres at 2101 Shady Oaks in Denton for advanced isotope production and radiopharmaceutical drug product manufacturing. The Novartis Denton site would produce pharmaceuticals for radioligand therapy (RLT), a cancer treatment, targeting prostate and advanced gastroenteropancreatic

cancer. The facility will undergo significant rehabilitation projects including environmental remediation and renovations of approximately 40,000 square feet to suit the manufacturing process. The company estimates that the investment in building, machinery, equipment, and improvements to the land will be about $280 million. The project involves plans to create 150 jobs with an average salary of greater than $124,000.

Holt Lunsford Commercial Investments:

- Secured $32.7 million in August 2024 for the development of Denton Point III, IV, and V, totaling 451,856 square feet at 670-710 Masch Branch Road. A groundbreaking was held this year for the Class A warehouse space.

EastGroup Properties:

- Initiated construction of Denton Exchange 35 Industrial Facility in Q2 2024, comprising two Class A industrial buildings totaling approximately 243,859 square feet, with completion anticipated by Q4 2025.

Southwire Company:

- Announced a 100,000-square-foot expansion of its Denton facility, investing $85.4 million over three years, with an expected valuation increase of over $69 million and the creation of 95 new jobs in 2024

Ironwood Realty Partners and Scannell Properties:

- Partnered on Denton Crossing @ I-35, a project encompassing approximately 1.2 million square feet of industrial speculative space along Western Boulevard. Buildings 1 and 2, totaling nearly 700,000 square feet, have been completed, with Buildings 3 and 4 adding 398,000 and 127,000 square feet, respectively.

The City of Denton uses various economic development tools including financial districts to improve and enhance infrastructure and encourage private investment in specific areas of the City. These development districts support development and revitalization and are commonly known as public improvement districts, tax increment reinvestment zones, or municipal management districts.

Denton currently has two active development districts:

- Tax Increment Reinvestment Zone Number One (Downtown TIRZ)
- Tax Increment Reinvestment Zone Number Two (Westpark TIRZ)

In the Downtown TIRZ area, the following projects are underway:

Fine Arts Theater:

- The Denton City Council approved a $1.6 million economic development agreement to help with renovations and redevelopment at the Fine Arts Theater of Denton. The Theatre will be a multi-use facility for live performances, movies, special festivals, concerts, and private rentals. The 9,900-square-foot theater has been part of downtown since 1877, when it opened as an opera house, then became part of the Texas movie theater chain in 1935 and then the Fine Arts Theater in 1957. The theater is expected to open in August 2026.

The Plot Twist:

- New romance novel Book Bar, opened in Downtown Denton on January 19, 2025. The business received a $35,000 Downtown Reinvestment Grant for utility upgrades, interior/code improvements, and new signs.

Several projects are currently underway in the Westpark Tax Increment Reinvestment Zone (TIRZ).

Westpark Industrial:

- A 16-acre parcel, at 251 N Western Boulevard, will include two speculative buildings at just over 100,000 square feet each.

Turcott Development:

- A 31,363 square foot building is planned for a single-tenant LEED certified training center that will be comprised of 45% office and 55% warehouse use, located at Jim Christal Road and Western Boulevard.

United States Cold Storage (USCS):

- USCS currently maintains a cold storage facility in Westpark TIRZ and currently employs 148 with an average salary of $53,053. The company plans on adding on a second phase to its existing refrigerated warehouse facility and estimate that their investment in new buildings, machinery, and equipment will create approximately $35 million in new ad valorem value in Denton. The project involves plans to create 172 jobs with a weighted average salary of $57,164.

During the fiscal year 2024-25, Denton experienced notable advancements in its tech and entrepreneurial sectors, significantly bolstered by initiatives from Stoke Denton and Texas Woman's University's (TWU) Center for Women Entrepreneurs (CWE). Hickory and Rail Ventures LLC renewed the lease on Suite 128, which included a 2,725 square foot expansion.

AccelerateHER Program:

- In collaboration with TWU's CWE, Stoke Denton concluded the fifth cohort of the AccelerateHER program in 2020. This incubator supports women entrepreneurs by providing resources and education to fast-track their startups into scalable businesses. Thirty-four women have completed the weekly workshops and one-on-one mentorship sessions over five months. The program culminated in a virtual showcase, allowing each entrepreneur to present their business and growth strategies. Alumni meetups were started this year and will be held on a quarterly basis.

FlintConf 2025:

- In May 2025, Stoke Denton hosted FlintConf, Denton's annual startup conference aimed at empowering the local economy, entrepreneurs, and creatives. The event featured six speaker sessions, one workshop and two networking opportunities, attracting a diverse group of over 84 attendees and fostering collaboration within the entrepreneurial community.

Global Entrepreneurship Week (GEW) 2024:

- From November 18-24, 2024, Stoke Denton celebrated GEW by organizing multiple events to support and inspire local entrepreneurs. The lineup included a virtual Coffee + Convo session with Anita O'Neal, CPA, CFA; a Big Ideas Creative Mixer at Denton County Brewing Company; and the Denton Pitch Competition and Lunch and learn with Sky McClure, Improve Google Ads. These events collectively enhanced community engagement and provided valuable resources for business development with over 175 attendees throughout the week

Denton Pitch Competition:

- As part of GEW 2024, the Denton Pitch Competition offered local entrepreneurs a platform to present their business ideas to potential investors and partners. The event featured ten businesses pitching their concepts, with a total of 40 entrepreneurs participating in the accompanying Entrepreneur Expo. This initiative awarded $30,000 to Denton businesses, of

which, 80% were women entrepreneurs, fostering business growth and innovation within the community.

Coffee + Convo Sessions:

- Throughout the fiscal year, Stoke Denton hosted monthly "Coffee + Convo" sessions with Shay Nuckles, from Uptown Discovery Group, Madison Newman, branding expert, and Juli James, designer and innovator. These informal gatherings facilitated discussions on various business topics, allowing entrepreneurs to share experiences, seek advice, and build networks within the local startup ecosystem.

These developments reflect Denton's robust industrial growth during the 2024-25 fiscal years, contributing to economic expansion and job creation.

FINANCIAL INFORMATION AND FINANCIAL POLICY

The City's financial direction begins with the City's Charter, which is the basis for all financial policies the City implements. The City maintains financial policies for general operations, which include policies for financial management and fund balances, budget compliance, debt issuance and management, accounts payable, water service, and purchasing, among others.

The City's accounting records for general governmental operations are maintained on a modified accrual basis, with revenues being recorded when available and measurable, and expenditures being recorded when the liability is incurred. Proprietary (which includes Internal Service Funds) operations are maintained on the full accrual basis.

The City's Annual Operating Budget is proposed by the City Manager and approved by the City Council following public discussion. The City's Charter requires adoption of the City's budget no later than September 30th. The budget structure is organized by funds. Normally, funds are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The two types of funds utilized in the budget are Governmental and Proprietary (which includes Internal Service Funds). Budgetary control is maintained at the fund level by the Finance Department.

All legally required funds are budgeted annually by type, as follows:

- Governmental Funds
  - General Fund
  - General Debt Service Fund
  - Street Improvement Fund
  - Tourist and Convention Fund
  - Police Confiscation Fund
  - Catalyst Fund (formerly the Economic Development Investment Fund)
  - Parks Gas Well Fund
  - Roadway Impact Fee Fund
  - Tree Mitigation Fund
  - Public Education Government (PEG) Fund
  - McKenna Trust Fund
  - Park Land Dedication and Development Trust Fund
  - Downtown Tax Increment Reinvestment Zone (TIRZ) Fund
  - Westpark Tax Increment Reinvestment Zone (TIRZ) Fund
  - Sustainability Framework Fund
  - Other Miscellaneous Special Revenue Funds
- Proprietary Funds
  - Electric Fund
  - Water Fund
  - Wastewater Fund

- Solid Waste Fund
- Airport Fund
- Internal Service Funds
  - Customer Service Fund
  - Engineering Services Fund
  - Environmental Services Fund
  - Facilities Management
  - Fleet Management Fund
  - Health Insurance Fund
  - Materials Management Fund
  - Risk Retention Fund
  - Technology Services Fund

LONG-TERM FINANCIAL PLANNING

In conjunction with this document, interested parties are encouraged to read the City of Denton's FY 2025-26 Annual Budget document. This document details the City's strategic plan, long-term financial policies, program accomplishments, and other key initiatives. The document also includes the long-term financial forecasts for each of the major funds, and a summary of the assumptions that are included in these plans. In addition, the budget document provides an overview of the adopted Capital Improvement Program and planned future debt issuances. The Annual Budget can be accessed through the City's web site at www.cityofdenton.com and selecting Financial Transparency under the "Open Government" link.

RELEVANT FINANCIAL POLICIES

The City of Denton maintains reserve balances for emergencies. In the General Fund, the target reserve level is a minimum of 20% of budgeted expenditures with an additional 5% resiliency reserve for a combined total of 25% to provide stability and flexibility for the organization. As described in the accompanying ACFR document, the unassigned fund balance is $42.8 million, or 20.6%, of the budgeted General Fund expenditures for the fiscal year ended September 30, 2025.

Beginning in FY 2011-12, the City adopted a policy which requires a minimum ending working capital balance (current assets minus current liabilities) of at least 8% of budgeted expenditures for the Electric, Water, Wastewater and Solid Waste Funds. If the working capital level should fall below the desired minimum, the City will implement necessary corrective action with a five-year plan to restore the working capital balance to 8% of budgeted expenditures.

Additionally, rate reserve levels were established for the Electric, Water, Wastewater, and Solid Waste Funds in FY 2011-12 according to the unique operational aspects of each utility. The rate reserve levels were most recently revised in FY 2020-21 based on the factors of revenue stability, expense and demand volatility, infrastructure age, debt levels and management plans for the use of these reserves. The reserve rate is established at a range of 38% to 61% of expenses for the Electric Fund, at a range of 20% to 31% of expenses for the Wastewater Fund, at a range of 25% to 42% of expenses for the Water Fund, and at a range of 6% to 10% of expenses for the Solid Waste Fund. If the rate reserve level falls below the range, the City will implement the necessary corrective action within a five-year plan to restore the balances to the levels outlined above.

The City of Denton has adopted an Investment Policy which guides the investment of all City funds. In accordance with State law, the policy is reviewed annually by the City Council to ensure that public funds are being invested in a conservative and prudent fashion. In addition, the City also annually reviews and approves a Debt Management policy. The purpose of this policy is to provide general guidelines regarding the issuance of City debt and the use and limitation of such debt. The City complied with all aspects of the Investment and Debt Management policies during FY 2024-25.

MAJOR INITIATIVES

The City's Strategic Plan and Council specifically identified improving facility infrastructure as a major goal. In response to this goal, the FY 2025-26 Budget includes additional issuance of General Obligation Bonds. This increase in funding shows the City's continued commitment to facility infrastructure and equipment funding.

The combination of increased operating funding along with the issuance of debt shows the strong commitment to improving our infrastructure. In the future, the City staff will continue efforts to identify additional funding for facility infrastructure and equipment funding activities along with potential future debt issuances for street reconstruction to continue to improve the condition of the City's streets over the long term.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers' Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Annual Comprehensive Financial Report for the fiscal year ended September 30, 2024, for thirty-eight consecutive years. To be awarded the Certificate of Achievement in Financial Reporting, the City must publish an easily readable and efficiently organized Annual Comprehensive Financial Report. This report satisfies both generally accepted accounting principles and applicable legal requirements. The Certificate of Achievement is held for a period of one year only. We believe our current Annual Comprehensive Financial Report continues to meet the Certificate of Achievement requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

The City also received the GFOA award for Distinguished Budget Presentation for its fiscal year 2024-25 Annual Budget for thirty-eight consecutive years. To qualify for the Distinguished Budget Presentation Award, the City's budget document was judged according to its compliance with specific guidelines established by GFOA. These guidelines help ensure that Denton's budget is distinguished as an operations guide, financial plan, policy document, and communications device. The City has submitted its fiscal year 2025-26 Annual Budget to GFOA to determine its eligibility for another certificate. We believe it continues to meet the Distinguished Budget Presentation Award criteria.

The City received a Certificate of Distinction from the Government Treasurers of Texas (GTOT). The distinction was received for developing an investment policy that meets the requirements of the Public Funds Investment Act and the standards for prudent public investing as established by GTOT. GTOT awards an estimated 40 distinctions annually, which the City has received ten times since 1999.

The City also received the GFOA Award for Outstanding Achievement in Popular Annual Financial Reporting for the fiscal year ended September 30, 2024. To be eligible for the PAFR Award, the City must also submit its Annual Comprehensive Financial Report to GFOA's Certificate of Achievement for Excellence in Financial Reporting Program and receive the Certificate for the same fiscal year. Eligible reports are reviewed by judges who evaluate them based on reader appeal, clarity and understandability, distribution methods, creativity, and other key elements.

In 2024, City of Denton was awarded the Six Transparency Stars by the Texas Comptroller, which recognizes cities, counties, special purpose districts and school districts to provide easy online access to important financial data. The City of Denton is only one of five local governments in Texas to receive all six transparency stars. Transparency Stars are granted and maintained on an ongoing basis.

We would like to thank the City Council for their strong leadership and support that helped make the presentation of this report possible. We would also like to thank the City Manager, Finance staff, department directors, division heads and especially the Accounting Division staff for their diligent efforts in the preparation of the annual financial report.

DocuSigned by:
Christine Taylor
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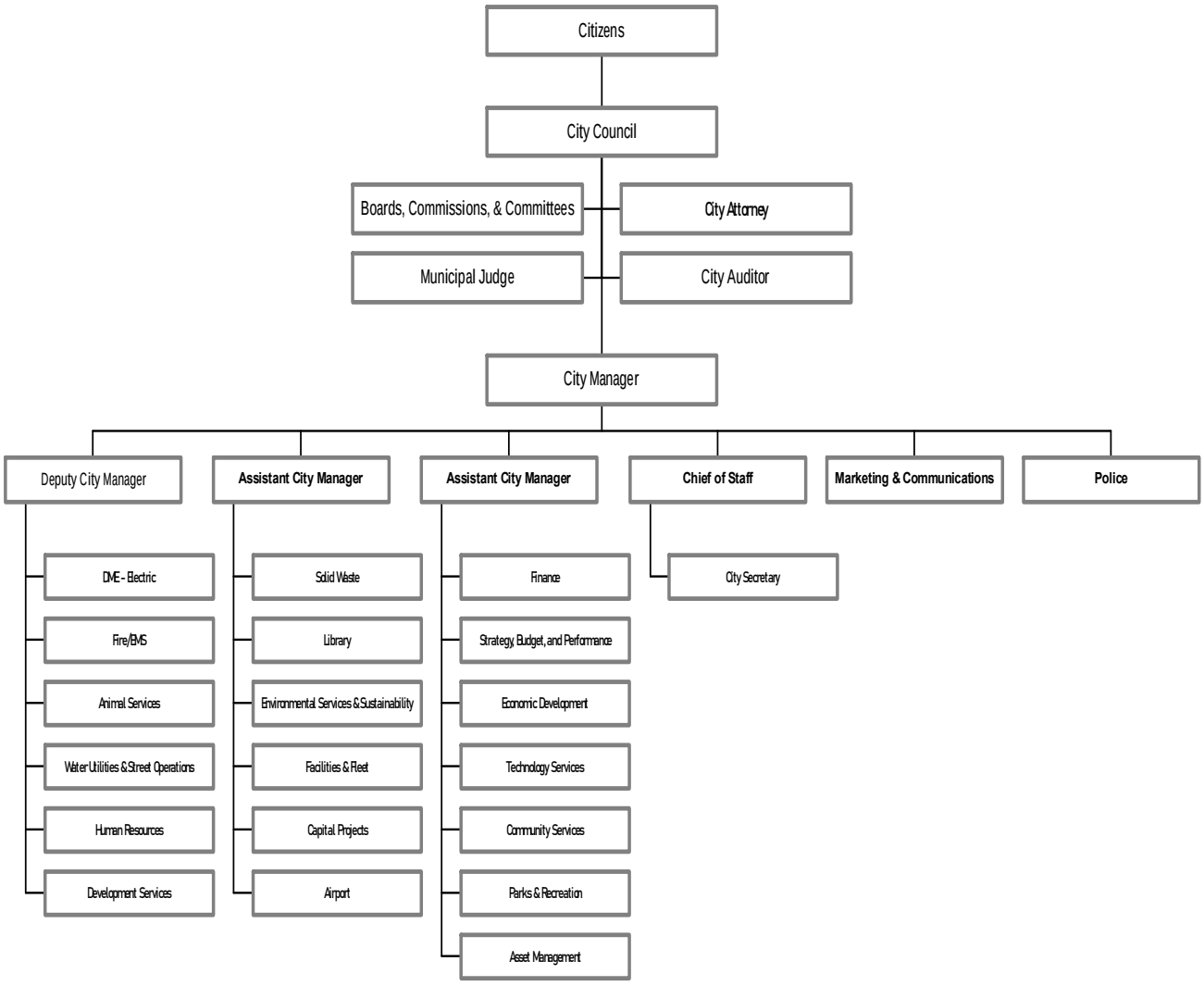
Christine Taylor
Assistant City Manager

Signed by:
M. Hamilton
AFA2974F165F44F...
Matt Hamilton
Chief Financial Officer

ORGANIZATIONAL CHART



Organizational Chart Effective January 31, 2026

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

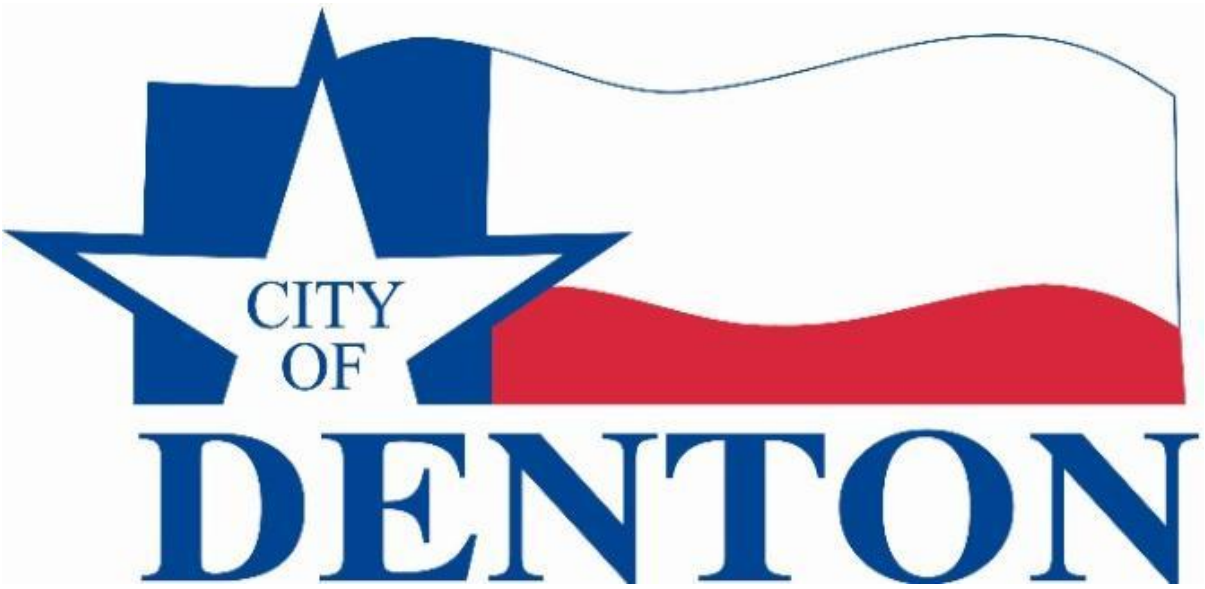
City of Denton
Texas

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

September 30, 2024

Christopher P. Morrill

Executive Director/CEO


CITY
OF
DENTON

2300 North Field Street, Suite 1000
Dallas, Texas 75201
972-490-1970

Independent Auditor's Report

To the Honorable Mayor
and Members of the City Council
of the City of Denton, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Denton, Texas (the "City"), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement issuance date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information Included in the Annual Comprehensive Financial Report (ACFR)

Management is responsible for the other information in the ACFR. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

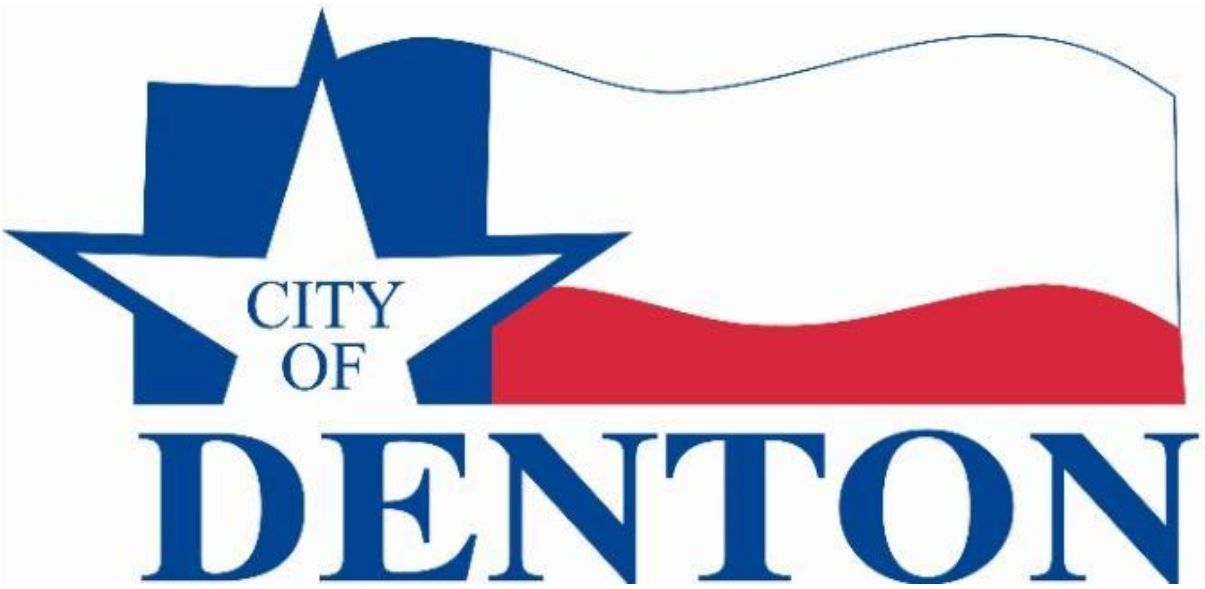
Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2026 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
March 17, 2026


CITY
OF
DENTON

CITY OF DENTON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2025

Introduction

The Management's Discussion and Analysis is designed to: (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the City's financial activity, (c) identify changes in the City's financial position (its ability to address the next and subsequent years' challenges), (d) identify any material deviations from the financial plan (the approved budget), and (e) identify individual fund issues or concerns.

This narrative should be read in conjunction with the transmittal letter at the beginning of the report and the financial statements following this section.

Financial Highlights

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the fiscal year ended September 30, 2025 by $1,852,038,136 (net position), an increase of 10.54 percent from prior year net position. Of this amount, $182,482,381 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- Net Pension Liability of the City is $87,894,665, as compared to $110,806,951 for the year ended September 30, 2024. Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions,* requires the City to report its net pension liability for participation in Texas Municipal Retirement System (TMRS) and Firemen's Relief and Retirement Fund (FFRF) of the total Net Pensions Liability reported by the TMRS and FFRF. For the year ended September 30, 2025, the City recorded a decrease in their portion of net pension liability of $22,912,286, an increase in deferred pension inflows of $6,287,024 and a decrease in deferred pension outflows of $14,620,416.
- Governmental activities general and transfer revenues were $251,281,664 as compared to $224,097,580 for the year ended September 30, 2024. The increase of $27,184,084 is primarily driven by an increase in property tax, miscellaneous income, sales tax revenues, franchise fees, and transfers. Business-type activity general revenues and transfers were $20,397,135 compared to $29,203,943 for the year ended September 30, 2024. The decrease of $8,806,808 is primarily driven by investment revenue and transfers.
- Governmental funds reported combined ending fund balances of $373,311,681 as of September 30, 2025 which is an increase of $17,788,012 from fiscal year 2023-2024 ending fund balance total of $355,523,669, primarily due to issuance of long-term debt and increased revenues.
- The City's primary General Fund resources are property taxes, sales tax, and franchise fees. These combined resources account for 85.4 percent of total General Fund revenues, which decreased 3.2 percent compared to the prior year.
- The City's long-term liabilities outstanding increased by $178,720,926 in fiscal year 2024-2025. The increase is primarily attributable to an increase of $199,050,000 of Certificates of Obligation and General Obligations Bonds Payable.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Management's Discussion and Analysis is intended to serve as an introduction to the City of Denton's basic financial statements. The City's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets, liabilities, deferred inflows, and deferred outflows with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All of the current year's revenues and expenses are considered regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). Both the statement of net position and the statement of activities are prepared using the accrual basis of accounting as opposed to the modified accrual basis.

In the Statement of Net Position and the Statement of Activities, the City is divided into two kinds of activities:

- **Governmental activities**. Most of the City's basic services are reported here, including police, fire, libraries, development, public services and operations, public works, building inspection, technology services and general administration. Property taxes, sales taxes, and franchise fees finance most of these activities.
- **Business-type activities**. The City charges a fee to customers to cover the cost of services it provides. The City's utility systems (electric, water and wastewater), solid waste, and airport activities are reported here.

Fund Financial Statements. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. Fund financial statements provide detailed information about the most significant funds, not the City as a whole. Some funds are required to be established by state law or bond covenants. However, the City Council establishes many other funds to help control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other monies. The following illustration summarizes the major features of the City's financial statements. The City of Denton's funds are categorized as governmental, proprietary funds or fiduciary funds.

- **Governmental funds**. The majority of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method identified as the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements, readers may better understand the long-term impact of the government's near-term financing decisions. The relationship or differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are detailed in a reconciliation following the fund financial statements.

  The City of Denton maintains twelve governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, capital projects fund, and ARPA fund, all of which are considered to be major funds. Data from the other eight governmental funds are combined into a single, aggregated presentation. Individual fund data for seven of these non-major governmental funds, along with an aggregate of all other governmental funds, is provided in the form of combining statements elsewhere in this report.

- **Proprietary funds**. The City charges customers for certain services it provides, whether to outside customers or to other units within the City. These services are generally reported in proprietary funds. Proprietary funds are reported in the same manner that all activities are reported in the Statement of Net Position and the Statement of Activities. The City's enterprise funds are similar to the business-type activities that are reported in the government-wide statements but provide more detail and additional information, such as cash flows. The City's internal service funds are used to accumulate and allocate costs internally among the City of Denton's various functions. Both enterprise funds and internal service funds are components of proprietary funds.

The City of Denton maintains five enterprise funds. The City uses enterprise funds to account for its electric, water, wastewater, solid waste, and airport operations. The individual funds provide the same type of information as the government-wide financial statements, only in more detail. The City considers all enterprise funds to be major funds.

The City of Denton maintains nine internal service funds. The City uses internal service funds to account for materials management, fleet services, health insurance, risk retention, technology services, engineering services, customer service, facilities management, and environmental services. Because these services benefit both governmental and business-type functions, they have been included in both the governmental and business-type activities in the government-wide financial statements. Individual fund data for the internal service funds are provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

- **Fiduciary funds**. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the financial statements.
The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information.
The combining non-major fund statements and individual fund schedules are presented immediately following the notes to the financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As of September 30, 2025, the City's combined net position was $1,852,038,136 of which $568,703,509 can be attributed to governmental activities and $1,283,334,627 attributed to business-type activities. This analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the City's governmental and business-type activities.

The largest portion of the City's net position (78.9%) reflects its investment in capital assets (e.g., land, building, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Table 1
Net Position
(in thousands)

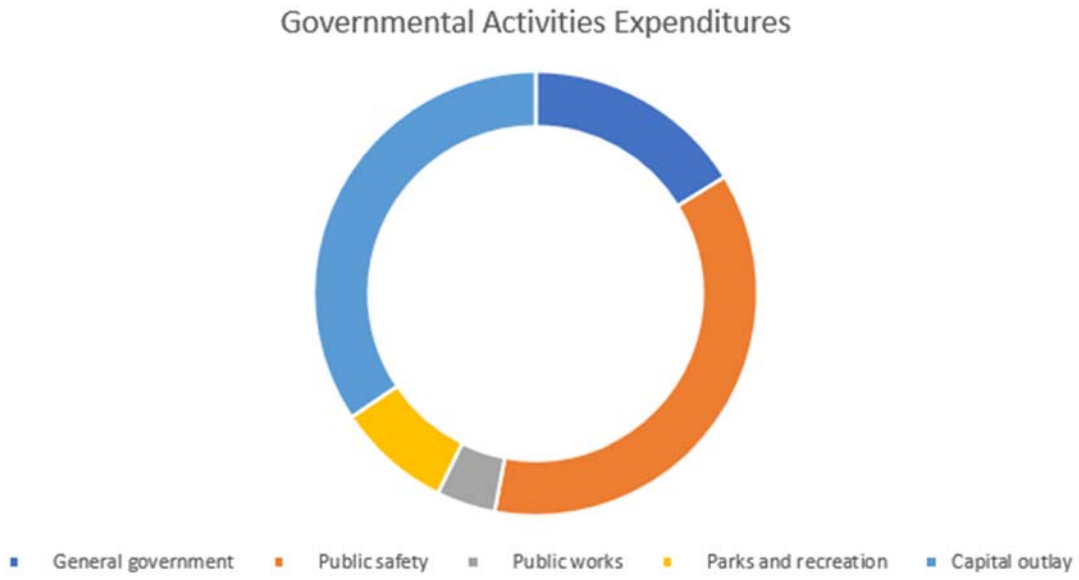
	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Current and other assets	$ 455,094	$ 451,238	$ 921,202	$ 797,426	$ 1,376,296	$ 1,248,664
Capital assets, net of accumulated depreciation/amortization	879,180	786,807	1,885,862	1,715,971	2,765,042	2,502,778
Total assets	1,334,274	1,238,045	2,807,064	2,513,397	4,141,338	3,751,442
Deferred outflows of resources	31,786	51,057	8,175	16,181	39,960	67,238
Long-term liabilities outstanding	741,390	707,646	1,440,741	1,295,763	2,182,130	2,003,409
Other liabilities	47,765	66,779	82,084	52,037	129,850	118,816
Total liabilities	789,155	774,425	1,522,825	1,347,800	2,311,980	2,122,225
Deferred inflows of resources	8,201	12,532	9,080	8,454	17,280	20,986
Net position:						
Net investment in capital assets	502,428	444,565	960,266	884,537	1,462,694	1,329,102
Restricted	49,801	44,845	157,060	119,996	206,861	164,841
Unrestricted	16,475	12,735	166,008	168,791	182,483	181,526
Total net position	$ 568,704	$ 502,145	$ 1,283,334	$ 1,173,324	$ 1,852,038	$ 1,675,469

Governmental activities increased the City's net position by $66,558,982. Business-type activities increased the City's net position by $110,010,611. The key elements of these increases are contained in Table 2.

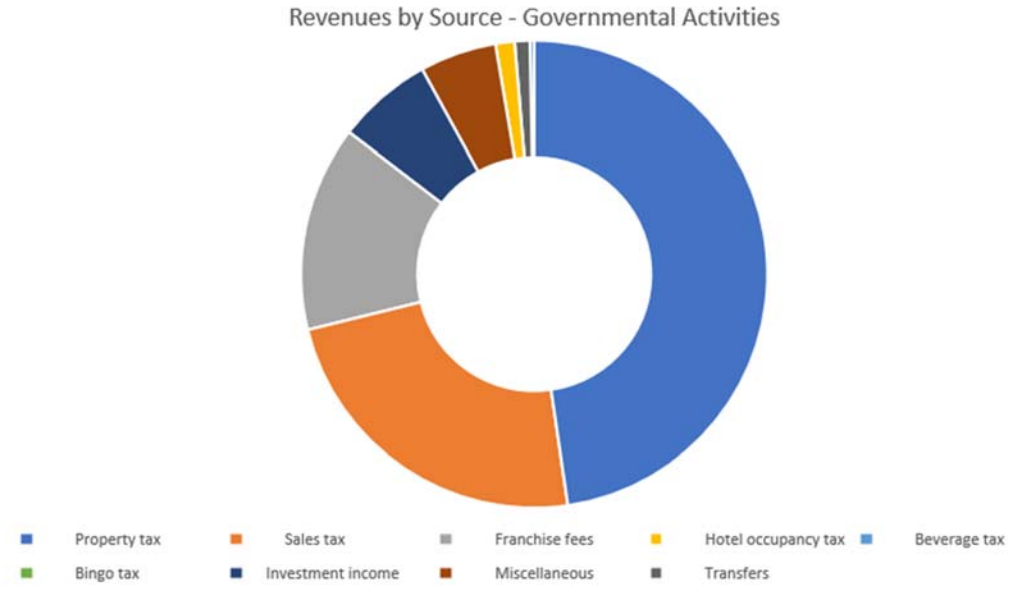
Table 2
Changes in Net Position
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Revenues:						
Program Revenues:						
Charges for services	$ 29,671	$ 23,488	$ 425,046	$ 417,598	$ 454,717	$ 441,086
Operating grants and contributions	13,399	13,042	-	-	13,399	13,042
Capital grants and contributions	31,370	35,256	37,399	35,949	68,769	71,205
General Revenues:						-
Property tax	119,835	106,556	-	-	119,835	106,556
Sales tax	58,972	57,075	-	-	58,972	57,075
Franchise tax	35,761	34,985	-	-	35,761	34,985
Hotel occupancy tax	3,320	2,965	-	-	3,320	2,965
Beverage tax	724	703	-	-	724	703
Bingo tax	16	14	-	-	16	14
Investment income (loss)	16,357	17,015	22,655	27,498	39,012	44,513
Gain (loss) on sale of capital assets	301	265	387	836	688	1,101
Miscellaneous	13,348	5,391	-	-	13,348	5,391
Total revenues	323,075	296,755	485,487	481,881	808,561	778,636
Expenses:						
General government	64,603	57,476	-	-	64,603	57,476
Public safety	119,031	112,543	-	-	119,031	112,543
Public works	27,466	27,467	-	-	27,466	27,467
Parks and recreation	30,703	29,842	-	-	30,703	29,842
Interest on long-term debt	17,359	12,699	-	-	17,359	12,699
Electric	-	-	234,784	286,616	234,784	286,616
Water	-	-	38,644	34,826	38,644	34,826
Wastewater	-	-	52,675	46,815	52,675	46,815
Solid waste	-	-	43,879	41,283	43,879	41,283
Airport	-	-	2,850	2,681	2,850	2,681
Total expenses	259,162	240,027	372,832	412,221	631,994	652,248
Increase in net position before transfers	63,913	56,728	112,655	69,660	176,568	126,388
Transfers	2,646	(870)	(2,646)	870	-	-
Increase in net position	66,559	55,858	110,009	70,530	176,568	126,388
Net position at beginning of year	502,145	446,287	1,173,325	1,102,795	1,675,470	1,549,082
Net position at end of year	$ 568,704	$ 502,145	$ 1,283,334	$ 1,173,325	$ 1,852,038	$ 1,675,470

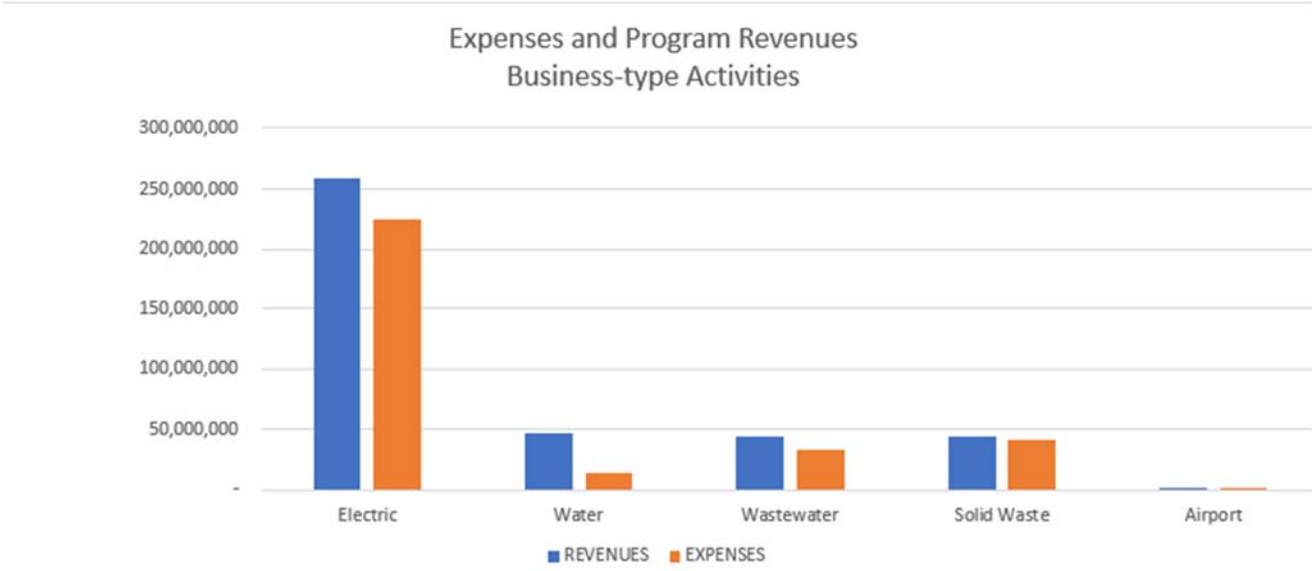
Governmental activities. Expenses for governmental activities reflect an increase of $19.1 million over the prior year. Increases include $7.1 million in General Government, $6.5 million in Public Safety, $4.6 million in interest expense, and $0.9 million for Parks and Recreation. The most significant governmental activities expense was in providing public safety, which incurred expenses of $119,030,615. The largest expense for public safety is the cost of personnel, which totaled $92,588,310. Last year the City added 14.0 new positions in public safety including 7.0 in the police department, 3.0 in the fire department, 3.0 in the animal service department, and 1.0 in the public safety communication department.



Governmental expenses were funded by revenues collected from a variety of sources, with the largest being from property taxes, which are $119,835,095 for the fiscal year ended September 30, 2025. Governmental activities program revenues increased $2.7 million over the prior year. Capital grants and contributions decreased $3.9 million from contributed asset revenues and American Rescue Plan Act (ARPA) funding for public works transportation and general government projects were completed. Operating grants and contributions increased $356 thousand from funding for public safety and parks and recreation. Charges for Services increased $6.2 million from general government and parks and recreation. Governmental activities general revenues included an increase of $13.3 million for property tax due to rising values and new construction. Sales tax increased $1.9 million due to population and business growth. Transfers reflect a net $2.6 million transfer in for governmental activities for the current year.



Business-type activities. Business-type activities increased the City's net position by $110,010,611. This accounts for 62.3% of the growth in the entity-wide net position. Total utility service revenues decreased by $7.3 million. The fiscal year 2025 included an Electric base rate increase of 1.50%, Water rate increase of 3%, Wastewater rate increase of 11%, and Solid Waste rate increase of 1.50%. Electric charges for services decreased by $14.8 million mainly due to a decrease in data center revenues. Water charges for services decreased by $22 thousand as compared to the service charges from prior year. Wastewater charges increased by $3.6 million compared to the prior year. Solid Waste charges for service increased by $3.6 million compared to the prior year. Airport charges for goods and services increased by $318 thousand. Water and Wastewater collected $16.9 million and $12.6 million in impact fees, respectively, reflecting a $12.4 million increase over the prior year. Capital contributions reflected an increase of $1.5 million from the prior year. Water capital contributions increased by $3.3 million while Wastewater capital contributions decreased by $1.8 million. The Airport gas well revenues contributed an additional $259 thousand in revenue, an increase of $20 thousand from the prior year. Total enterprise funds operating costs, before depreciation, decreased $38.0 million. Electric operating costs, before amortization and depreciation, account for 65.3 percent of total enterprise fund expenses. Cost decreases include purchase power costs of $35.8 million from the prior year. Expenses for personnel services and administrative costs decreased by $9.0 million. Water expenses increased $3.7 million from the prior year, due to an increase in materials and supplies by 8 percent and administrative costs by 11 percent from prior year. Wastewater expenses increased $1.2 million, due to an increase in personnel and administrative costs. Solid Waste expenses increased $2.9 million from the prior year, due to increased personnel services and administrative costs.



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of resources available to spend. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of $373.3 million, an increase of $17.8 million in comparison with the prior year. $41.2 million constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the

fund balance has been classified to indicate that it is not available for new spending because it has already been classified as restricted ($282.0 million), committed ($32.2 million), and assigned ($17.9 million).

The General Fund is the chief operating fund of the City. At September 30, 2025, the unassigned fund balance of the General Fund was $42.8 million, or 20.6% of budgeted general fund expenditures. Revenues were $12.2 million higher compared to the previous year primarily due to increases in taxes of $2.9 million, licenses and permits of $1.3 million, franchise fees of $1.9 million, fees for service of $1.4 million and miscellaneous revenues of $6.1 million, partially offset due to decrease in investment revenue of $1.0 million and intergovernmental revenue of $683 thousand. The net change in General Fund expenditures was $9.4 million higher compared to the previous year primarily due to increased costs related to personnel services and operations. Personnel costs increased $9.0 million over the prior year which includes a 3% cost of living adjustment (COLA) and 2.5% merit increase. Public safety increased $5.0 million over the prior year due to 14.0 new positions in public safety including 7.0 in the police department, 3.0 in the fire department, 3.0 in the animal service department, and 1.0 in the public safety communication department.

At the end of the fiscal year, the Capital Projects Fund has a total fund balance of $273.5 million, an increase of $10.3 million. The total fund balance is made up of $244.8 million in restricted funds, $10.8 million in committed funds, and $17.9 million in assigned funds, all for capital construction and acquisition. In 2025, the City received $70.1 million of proceeds from the issuance of debt and recognized $7.3 million current year of regional toll revenues from the Texas Department of Transportation, while expending $102.6 million on construction and acquisition. In addition, the capital projects fund received $14.9 million of transfers from other funding sources. The City also received approximately $11.0 million in developer's contributed capital recorded in the government-wide financial statements. This is $3.3 million less than in the prior year.

The Debt Service Fund has a total fund balance of $2.6 million, all of which is restricted for the payment of debt service. As compared with the prior year results, the overall increase in the debt service fund balance of $1.2 million. An increase of $11.9 million in tax revenue was offset by an increase of $11.0 million in principal and interest costs.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position at September 30, 2025 in proprietary funds is $88.4 million for Electric, $47.0 million for Water, $21.0 million for Wastewater, $14.7 million for Solid Waste, and $1.5 million for the Airport fund. The results reflect decreases of the unrestricted net position in the Water Fund of $10.6 million, Wastewater of $7.2 million, and Airport fund of $0.2 million, partially offset by increases in the Electric fund of $16.5 million, and Solid Waste fund of $3.6 million. Other factors concerning the finances of these funds have already been addressed in the discussion of the City of Denton's business-type activities.

BUDGETARY HIGHLIGHTS

No amendments were made to adjust the City of Denton's Annual Program of Service for the fiscal year.

GENERAL FUND BUDGET TO ACTUAL HIGHLIGHTS

For fiscal year 2025, General Fund actual expenditures (including transfers) on a budgetary basis were $200.7 million compared to the final budget of $207.7 million. The $4.9 million favorable variance from a transfer expense was offset with increased costs of personnel services of $9.0 million.

Actual revenues for the General Fund (including transfers and sale of capital asset) on a budgetary basis were $200.7 million compared to the final budget of $207.6 million. Included in the $6.2 million unfavorable revenue variance was $3.5 million decrease in taxes and $10.6 million decrease in franchise fees. These unfavorable

variances were offset by $4.9 million of transfers, $5.2 million in miscellaneous revenue, $1.8 million in fees for services, and $0.6 million in fines and forfeitures.

The City of Denton's General Fund unassigned fund balance at September 30, 2025 is $42.8 million, or 20.6% of budgeted expenditures. Below is a listing of the ending unassigned balances for the prior year, as well as the fiscal year 2025 unassigned fund balance.

	Actual 9/30/2025	Actual 9/30/2024
Unassigned balance	$42,825,552	$42,077,084
% of final budgeted expenditures	20.6%	22.3%
Policy level	20% plus up to a 5% resiliency reserve	20% plus up to a 5% resiliency reserve

The largest revenue source of the General Fund's budget was the ad valorem tax. Denton's ad valorem tax rate is composed of two components. The first is the operations and maintenance component that is used to calculate revenue for the City's General Fund operations. The second component is the debt portion that is used to calculate revenue to pay the City's general debt service obligations. The Denton Central Appraisal District's certified appraisal roll shows an increase of 10.16% compared to the prior year certified value, which showed an increase of 15.1%. The current property tax year included $1.21 billion of new growth and construction that was added to the tax rolls in Tax year 2025 as compared to Tax year 2024. The fiscal year 2025 ad valorem tax rate remained the same compared to fiscal year 2024 at $0.585420 per $100 of valuation.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. At the end of fiscal year 2025, the City had $2.8 billion invested in a broad range of capital assets, including police and fire equipment, buildings, park facilities, roads, bridges, electrical infrastructure, water and sewer lines, SBITA assets and lease assets (see Table 3 below). This amount represents a net increase (including additions and deductions) of $262.3 million or 10.5% over the prior fiscal year.

Table 3
Capital Assets at Year-end
(Net of Accumulated Depreciation/Amortization, in Thousands)

	Governmental Activities		Business-type Activities		Totals	
	2025	2024	2025	2024	2025	2024
Land	$ 53,786	$ 49,344	$ 91,575	$ 89,923	$ 145,361	$ 139,267
Landfill improvements	-	-	139	700	139	700
Building and improvements	84,610	84,704	24,648	25,591	109,258	110,295
Plant, machinery and equipment	63,185	63,597	592,495	592,666	655,680	656,263
Water rights	-	-	44,563	45,259	44,563	45,259
Infrastructure	227,078	229,346	660,400	566,985	887,478	796,331
SBITA assets	11,394	6,249	3,740	4,957	15,134	11,206
Lease assets	94	169	-	-	94	169
Construction in progress	439,033	353,398	468,302	389,892	907,335	743,290
Total capital assets	$ 879,180	$ 786,807	$ 1,885,862	$ 1,715,973	$ 2,765,042	$ 2,502,780

This year's major asset additions included:

Description	Amount
Lewisville Lake Water Treatment Plant Upgrade Phase II	$ 18,984,384
Northwest Booster Pump Station & Transmission Line	17,128,696
Northwest Transmission Line	14,954,546
Hickory Creek Interceptor III	6,363,830
Hickory Creek Interceptor II	6,014,048
Eden Village	4,656,711
King's Way	4,126,907
Sagebrook Phase 2	4,086,265
Stuart Ridge Phase 3	3,933,760
Dry Fork Hickory Creek Tributary I	3,380,860
Hickory Grove Phase 1A (Offsite)	3,257,877
Hickory Grove Phase 1A (Onsite)	3,012,368
Mayhill Road	3,000,000
Ft Worth Drive Relocation I-35E	2,965,393
380 Mayhill Industrial	2,509,686
	$ 98,375,331

Additional information on the City's capital assets can be found in note IV. D. of this report.

Debt. At year-end, the City had $1,864.7 million in bonds and notes outstanding as compared to $1,674.6 million at the end of the prior fiscal year, an increase of 11.4%, as shown in Table 4.

Table 4
Principal Outstanding Debt at Year-end
(in thousands)

	Governmental Activities		Business-type Activities		Totals	
	2025	2024	2025	2024	2025	2024
General obligation bonds	$ 353,395	$ 328,400	$ 132,280	$ 124,070	$ 485,675	$ 452,470
Certificates of obligation	209,590	193,855	839,365	689,255	1,048,955	883,110
Revenue bonds	-	-	330,070	339,010	330,070	339,010
Total	$ 562,985	$ 522,255	$ 1,301,715	$ 1,152,335	$ 1,864,700	$ 1,674,590

These amounts do not include net unamortized premiums/(discounts) of $110,771,019 nor net deferred gain/(loss) on refunding of $1,869,950.

During the fiscal year, the City issued three types of debt in June and August 2025. The first debt issuance included $10.1 million in utility system bonds. The second debt issuance included $78.2 million in general obligation refunding bonds of which $26.6 million was for business-type activities. Of this amount, $51.6 million was issued to pay the costs of bond election capital improvements for streets, parks, and public safety projects in the Capital Projects fund. The remaining $26.6 million was issued to refund outstanding debt obligations. The third debt issuance included $232.6 million ($201.3 million of which is included as part of business-type

activities) in certificates of obligation. The debt was issued to pay the costs of various capital improvements in the Capital Projects Fund ($30.1 million), the Electric Fund ($42.2 million), the Water Fund ($75.4 million), the Wastewater Fund ($73.0million), the Solid Waste fund ($10.6 million), the Technology Service Fund ($1.7 million), and the Fleet Fund ($925 thousand).

Standard and Poor's Corporation has given both the City's General Obligation Bonds and Certificates of Obligation an "AA+" rating. Standard and Poor's Corporation has given the City's Utility System Revenue Bonds a rating of "A+". Fitch has given the City's General Obligation Bonds and the Certificates of Obligation a rating of "AA+." Fitch has given the City's Utility System Revenue Bonds a rating of "A". The City is permitted by Article XI, Section 5 of the State of Texas Constitution to levy taxes up to $2.50 per $100 of assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term debt. The current ratio of tax-supported debt to certified assessed value of all taxable property is 2.9%.

Other long-term liabilities. The City maintains a self-insurance program for property, excess flood (for specific properties), general liability and excess general liability, aviation ground operations liability, auto liability and physical damage, public officials' liability, professional liability for EMT operations, employment practices liability, law enforcement professional liability, cyber, commercial crime, and workers' compensation. Private insurance companies cover claims for property loss on a per occurrence basis, except for specific perils, with deductibles that vary depending on location and property values, for workers' compensation losses over $1,000,000 per occurrence, and general liability over $500,000 per occurrence. The Risk Retention Fund has a reserve for claims and judgments of $7.2 million outstanding at year-end. Other obligations include pension liabilities, accrued vacation pay, and sick leave. More detailed information about the City's long-term liabilities is presented in Note IV. G.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

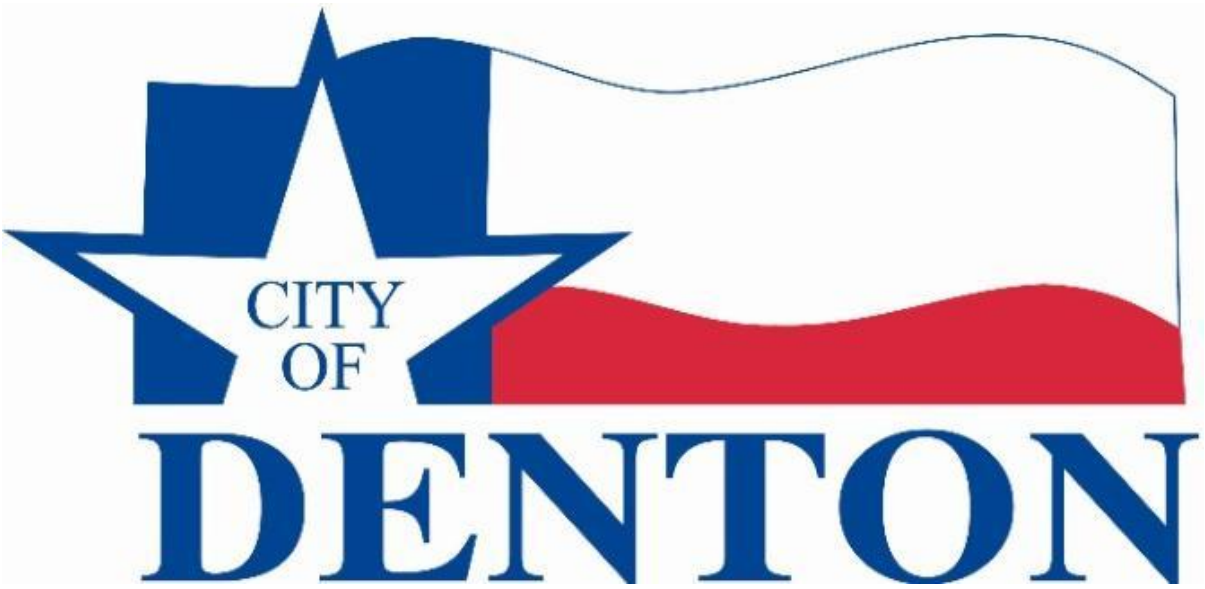
While growth for the Denton community is expected to be moderate in the short term, demand for city services are expected to remain strong over the long term. The adopted budget includes a tax rate of $0.595420 per $100 valuation. Of this amount $0.334780 is provided for operations and maintenance and $0.260640 is provided for debt service. While sales tax collections increased $1.9 million compared to the prior fiscal year, 2026 Budget projects an increase of 4.62% from actual fiscal year 2025 sales tax revenue. The fiscal year 2026 Budget includes approximately $7 million in reductions.

The unemployment rate for the City was 4.2 percent on September 30, 2025 compared to 3.8 percent as of September 30, 2024.

The fiscal year 2026 budget includes a Wastewater rate increase of 11% and Water rate increase of 3% to fund current and future growth.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Denton Finance Department, 215 E. McKinney, Denton, Texas 76201.


CITY
OF
DENTON

CITY OF DENTON, TEXAS
STATEMENT OF NET POSITION
AS OF SEPTEMBER 30, 2025

Exhibit I

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash, cash equivalents and investments, at fair value	$ 96,791,610	$ 188,178,903	$ 284,970,513
Receivables, net of allowances:			
Taxes	11,455,100	-	11,455,100
Accounts	-	16,447,221	16,447,221
Unbilled utility service	-	22,807,361	22,807,361
Interest	639,697	1,251,712	1,891,409
Other	4,846,607	6,837,849	11,684,456
Internal balances	(18,707,139)	18,707,139	-
Due from other governments	9,233,855	2,107,243	11,341,098
Inventory	26,229,223	-	26,229,223
Prepaid items	6,606	41,368,323	41,374,929
Restricted assets:			
Cash, cash equivalents and investments, at fair value	321,588,990	482,019,429	803,608,419
Escrow deposits	244,000	5,437,022	5,681,022
Taxes	615,357	-	615,357
Accrued interest	2,131,066	3,206,391	5,337,457
Other receivables	19,203	83,453	102,656
Debt issuance costs - insurance	-	413,079	413,079
Other assets	-	132,336,721	132,336,721
Capital, Lease and Right-to-use assets:			
Right-to-use assets, net of accumulated amortization	11,394,115	3,739,623	15,133,738
Lease assets, net of accumulated amortization	94,014	-	94,014
Capital assets not being depreciated	492,818,715	559,877,095	1,052,695,810
Capital assets, net of accumulated depreciation	374,872,771	1,322,245,757	1,697,118,528
Total assets	1,334,273,790	2,807,064,321	4,141,338,111
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred loss on refundings	66,297	467,878	534,175
Deferred pension balances	27,829,360	6,031,106	33,860,466
Deferred other post-employment benefit balances	3,889,936	1,675,891	5,565,827
Total deferred outflows of resources	31,785,593	8,174,875	39,960,468
LIABILITIES:			
Accounts payable	15,158,747	11,201,519	26,360,266
Retainage payable	534,805	1,129,604	1,664,409
Deposits	145,945	13,947,049	14,092,994
Accrued interest	282,573	-	282,573
Due to other governments	30	-	30
Other liabilities	792,904	-	792,904
Unearned revenue	16,317,466	21,956,924	38,274,390
Payable from restricted assets:			
Accounts payable	7,185,076	15,778,270	22,963,346
Retainage payable	4,369,285	8,352,012	12,721,297
Accrued interest	2,978,605	9,719,005	12,697,610
Noncurrent liabilities:			
Noncurrent liabilities due within one year	59,306,733	80,458,071	139,764,804
Noncurrent liabilities due in more than one year	682,083,050	1,360,282,551	2,042,365,601
Total liabilities	789,155,219	1,522,825,005	2,311,980,224
DEFERRED INFLOWS OF RESOURCES:			
Deferred lease revenues	898,062	2,141,861	3,039,923
Deferred gain on refundings	542,447	1,861,678	2,404,125
Deferred other post-employment benefit balances	6,760,147	2,968,782	9,728,929
Deferred other		2,107,243	2,107,243
Total deferred inflows of resources	8,200,656	9,079,564	17,280,220
NET POSITION:			
Net investment in capital assets	502,427,544	960,266,998	1,462,694,542
Restricted for:			
Debt service	-	23,357,305	23,357,305
Parks and recreation	17,168,837	-	17,168,837
Capital acquisition	27,199,327	133,702,448	160,901,775
Grant	403,677	-	403,677
Public safety	1,792,148	-	1,792,148
Puplic education	1,211,378	-	1,211,378
Special Assesment Projects	443,543	-	443,543
Tourism	1,582,550	-	1,582,550
Unrestricted	16,474,505	166,007,876	182,482,381
Total net position	$ 568,703,509	$ 1,283,334,627	$ 1,852,038,136

The notes to the basic financial statements are an integral part of this statement.

CITY OF DENTON, TEXAS **Exhibit II**
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	$ 64,602,853	$ 11,476,392	$ 4,876,406	$ 15,099,167
Public safety	119,030,615	7,218,413	7,419,210	-
Public works	27,465,600	634,097	-	13,952,028
Parks and recreation	30,703,498	10,341,751	1,102,899	2,318,617
Interest expense	17,359,096	-	-	-
Total governmental activities	259,161,662	29,670,653	13,398,515	31,369,812
Business-type activities:				
Electric system	234,784,149	258,295,781	-	-
Water system	38,643,794	63,776,494	-	14,760,897
Wastewater system	52,675,288	56,094,632	-	22,638,150
Solid waste	43,878,520	44,585,934	-	-
Airport	2,850,255	2,293,594	-	-
Total business-type activities	372,832,006	425,046,435	-	37,399,047
Total primary government	$ 631,993,668	$ 454,717,088	$ 13,398,515	$ 68,768,859

(continued on the following page)

The notes to the basic financial statements are an integral part of this statement.

CITY OF DENTON, TEXAS **Exhibit II**
STATEMENT OF ACTIVITIES (concluded)
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		
Functions/Programs	Governmental Activities	Business-type Activities	Total
Primary government:			
Governmental activities:			
General government	$ (33,150,888)	$ -	$ (33,150,888)
Public safety	(104,392,992)	-	(104,392,992)
Public works	(12,879,475)	-	(12,879,475)
Parks and recreation	(16,940,231)	-	(16,940,231)
Interest expense	(17,359,096)	-	(17,359,096)
Total governmental activities	(184,722,682)	-	(184,722,682)
Business-type activities:			
Electric system	-	23,511,632	23,511,632
Water system	-	39,893,597	39,893,597
Wastewater system	-	26,057,494	26,057,494
Solid waste	-	707,414	707,414
Airport	-	(556,661)	(556,661)
Total business-type activities	-	89,613,476	89,613,476
Total primary government	(184,722,682)	89,613,476	(95,109,206)
General revenues:			
Taxes:			
Property tax	119,835,095	-	119,835,095
Sales tax	58,972,691	-	58,972,691
Franchise fees	35,761,375	-	35,761,375
Hotel occupancy tax	3,319,923	-	3,319,923
Beverage tax	724,191	-	724,191
Bingo tax	15,948	-	15,948
Investment income	16,357,066	22,655,173	39,012,239
Gain on sale of capital assets	301,091	387,604	688,695
Miscellaneous	13,348,642	-	13,348,642
Transfers	2,645,642	(2,645,642)	-
Total general revenues and transfers	251,281,664	20,397,135	271,678,799
Change in net position	66,558,982	110,010,611	176,569,593
Net position at beginning of year	502,144,527	1,173,324,016	1,675,468,543
Net position at end of year	$ 568,703,509	$ 1,283,334,627	$ 1,852,038,136

The notes to the basic financial statements are an integral part of this statement. **(concluded)**

CITY OF DENTON, TEXAS **Exhibit III**
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF SEPTEMBER 30, 2025

	General Fund	Debt Service Fund	Capital Projects Fund	ARPA Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:						
Cash, cash equivalents and investments, at fair value	$ 40,122,505	$ 2,480,938	$ 297,315,867	$ 1,001,667	$ 53,005,341	$ 393,926,318
Receivables, net of allowances for uncollectibles:						
Taxes	11,053,500	606,254	-	-	410,703	12,070,457
Accrued interest	267,671	16,502	1,977,744	-	346,958	2,608,875
Other	2,957,249	-	-	-	36,569	2,993,818
Interfund receivables	2,203,273	-	-	-	1,285,663	3,488,936
Due from other governments	1,194,135	-	5,055,479	-	2,984,241	9,233,855
Total assets	$ 57,798,333	$ 3,103,694	$ 304,349,090	$ 1,001,667	$ 58,069,475	$ 424,322,259
LIABILITIES:						
Accounts payable	10,240,890	-	6,605,842	116,771	1,359,769	18,323,272
Retainage payable	-	-	4,802,910	61,107	10,614	4,874,631
Interfund payables		-	-	-	353,537	353,537
Due to other governments	30	-	-	-	-	30
Other liabilities	792,904	-	-	-	-	792,904
Unearned revenues	-	-	15,419,464	823,789	74,213	16,317,466
Total liabilities	11,033,824	-	26,828,216	1,001,667	1,798,133	40,661,840
DEFERRED INFLOWS OF RESOURCES:						
Unavailable revenue - property taxes	799,960	509,682	-	-	-	1,309,642
Unavailable revenue - general services	908,749	-	4,062,947	-	1,667,482	6,639,178
Unavailable revenue - intergovernmental	2,230,248	-	-	-	169,670	2,399,918
Total deferred inflows of resources	3,938,957	509,682	4,062,947	-	1,837,152	10,348,738
FUND BALANCES:						
Restricted for:						
Debt service	-	2,594,012	-	-	-	2,594,012
Parks and recreation	-	-	67,381,777	-	17,018,873	84,400,650
Streets and drainage projects	-	-	68,669,534	-	12,396,304	81,065,838
Other capital projects	-	-	107,479,058	-	-	107,479,058
Grant	-	-	1,222,210	-	224,007	1,446,217
Public safety	-	-	-	-	1,792,147	1,792,147
Public education	-	-	-	-	1,211,379	1,211,379
Special Assesment Projects	-	-	-	-	443,543	443,543
Tourism	-	-	-	-	1,582,550	1,582,550
Committed to:						
Streets	-	-	10,750,603	-	6,205,504	16,956,107
Parks and recreation	-	-	4,433	-	222,621	227,054
Economic development	-	-	-	-	12,911,890	12,911,890
Capital Projects	-	-	35,297	-	-	35,297
Tree Preservation	-	-	-	-	2,031,893	2,031,893
Assigned to:						
Streets and drainage projects	-	-	11,464,997	-	-	11,464,997
Capital projects	-	-	5,762,916	-	-	5,762,916
Other purposes	-	-	687,102	-	1,010	688,112
Unassigned	42,825,552	-	-	-	(1,607,531)	41,218,021
Total fund balances	42,825,552	2,594,012	273,457,927	-	54,434,190	373,311,681
Total liabilities, deferred inflows of resources and fund balances	$ 57,798,333	$ 3,103,694	$ 304,349,090	$ 1,001,667	$ 58,069,475	$ 424,322,259

The notes to the basic financial statements are an integral part of this statement.

CITY OF DENTON, TEXAS **Exhibit IV**
RECONCILIATION OF THE BALANCE SHEET
OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
AS OF SEPTEMBER 30, 2025

Total fund balances - governmental funds (Exhibit III)			**$ 373,311,681**
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Includes capital assets of internal service funds.			**879,179,615**
Certain receivables will be collected next year but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred inflows of resources in the funds.			**10,348,738**
Deferred outflows of resources are not reported in the governmental funds. Includes deferred outflows of internal service funds:			
Deferred loss on refundings		**(476,150)**	
Deferred pension balances		**27,829,360**	
Deferred other post-employment benefits contributions		**3,889,936**	**31,243,146**
An internal charge to business-type activities is not recorded at the fund level.			**6,647,914**
Several internal service funds are used by the City's management to charge the costs of certain activities, such as insurance and fleet management, to individual funds. The assets, liabilities, deferred outflows, and deferred inflows of the internal service funds are included with governmental activities. Internal service fund balances not included in other reconciling items listed above or below:			
Current and other assets	**$**	**52,967,993**	
Liabilities	**$**	**(32,686,408)**	
Deferred inflows	**$**	**(898,062)**	**19,383,523**
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Includes balances of internal service funds. Long-term liabilities and related balances at year-end consist of:			
General obligation bonds payable	**$**	**(353,395,000)**	
Certificates of obligation payable		**(209,590,000)**	
Bond (premiums)/discounts		**(38,949,231)**	
Accrued interest on the bonds		**(3,261,178)**	
Capital leases payable		**(95,481)**	
Right-to-use liability		**(9,837,225)**	
Net Pension liability		**(61,570,154)**	
Total other post-employment benefits liability		**(35,858,494)**	
Claims and judgement payable		**(9,396,853)**	
Compensated absences		**(22,697,345)**	**(744,650,961)**
Deferred inflows of resources are not reported in the governmental funds. Includes deferred outflows of internal service funds:			
Deferred other post-employment benefits contributions			**(6,760,147)**
Total net position of governmental activities (Exhibit I)			**$ 568,703,509**

The notes to the basic financial statements are an integral part of this exhibit.

CITY OF DENTON, TEXAS **Exhibit V**
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

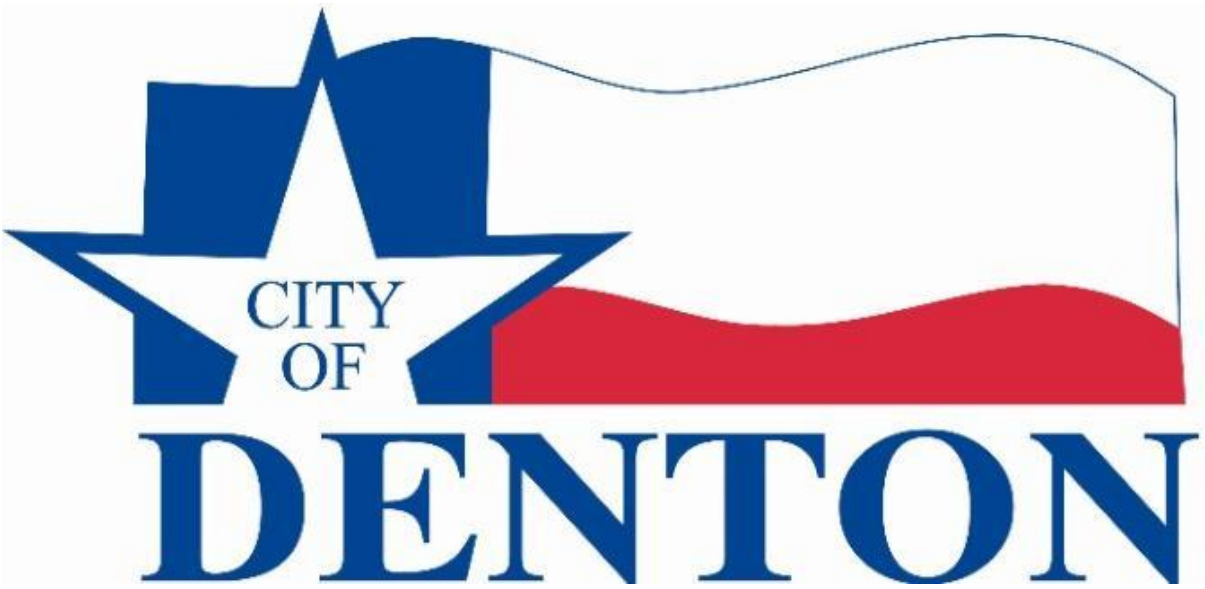
	General Fund	Debt Service Fund	Capital Projects Fund	ARPA Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:						
Taxes	$ 126,828,879	$ 50,087,820	$ -	$ -	$ 5,546,112	$ 182,462,811
Licenses and permits	6,853,283	-	-	-	-	6,853,283
Franchise fees	19,461,375	-	-	-	16,300,000	35,761,375
Fines and forfeitures	2,749,785	-	-	-	182,168	2,931,953
Fees for services	13,863,902	-	-	-	5,038,024	18,901,926
Investment revenue	2,539,720	1,071,608	10,525,175	-	2,220,563	16,357,066
Intergovernmental	2,848,052	-	14,967,859	5,216,739	7,612,138	30,644,788
Miscellaneous	6,420,575	-	7,951	-	6,920,118	13,348,644
Total revenues	181,565,571	51,159,428	25,500,985	5,216,739	43,819,123	307,261,846
EXPENDITURES:						
Current:						
General government	38,881,766	-	241,899	1,555,525	10,410,677	51,089,867
Public safety	111,125,738	-	13,465	41,866	4,694,624	115,875,693
Public works	3,799,305	-	121,720	-	9,632,120	13,553,145
Parks and recreation	25,304,356	-	287,729	-	572,673	26,164,758
Capital outlay	490,351	-	102,607,699	3,619,348	1,839,205	108,556,603
Debt service:						
Principal retirement	-	29,740,000	-	-	-	29,740,000
Bond issuance costs	-	56,915	421,452	-	-	478,367
Interest and other charges	-	20,989,801	608,025	-	-	21,597,826
Total expenditures	179,601,516	50,786,716	104,301,989	5,216,739	27,149,299	367,056,259
Excess (deficiency) of revenues over (under) expenditures	1,964,055	372,712	(78,801,004)	-	16,669,824	(59,794,413)
OTHER FINANCING SOURCES (USES):						
Refunding bonds issued	-	10,375,000	-	-	-	10,375,000
Payment to refunded bond agent	-	(11,400,289)	-	-	-	(11,400,289)
Issuance of long-term debt	-	-	70,055,000	-	-	70,055,000
Premium on debt issuance	-	1,084,796	4,208,047	-	-	5,292,843
Proceeds from sale of capital assets	344,186	-		-	-	344,186
Transfers in	7,887	751,656	14,854,716	-	2,126,082	17,740,341
Transfers out	(1,567,660)	-	(36,818)	-	(13,220,178)	(14,824,656)
Total other financing sources (uses)	(1,215,587)	811,163	89,080,945	-	(11,094,096)	77,582,425
Net change in fund balances	748,468	1,183,875	10,279,941	-	5,575,728	17,788,012
Fund balance at beginning of year	42,077,084	1,410,137	263,177,986	-	48,858,462	355,523,669
Fund balances at end of year	$ 42,825,552	$ 2,594,012	$ 273,457,927	$ -	$ 54,434,190	$ 373,311,681

The notes to the basic financial statements are an integral part of this statement.

CITY OF DENTON, TEXAS **Exhibit VI**
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Net change in fund balances - total governmental funds (Exhibit V)	**$**	**17,788,012**
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This amount represents the difference between capital outlay of $108,556,603 and depreciation of $30,691,571 (which is the net of overall governmental activities depreciation of $36,898,333 less internal service fund depreciation of $6,206,762).		**77,865,032**
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Such amounts are recorded in the funds when considered available.		**4,404,523**
The net effect of various miscellaneous transactions involving capital assets (i.e., SBITA, leases, sales, trade-ins and donations) is to decrease net position.		**9,243,124**
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which proceeds exceeded payments.		**(44,592,843)**
Fund-level financials report costs related to bonds as expenditures; however, these are deferred and amortized on the government-wide financials		**4,016,939**
Certain expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		**520,934**
Internal service funds are used by management to charge the costs of certain activities, such as insurance and technology services, to individual funds. A portion of the net revenue (expense) of certain internal service funds is reported with governmental activities. The amount reported with business-type activities is ($5,082,891).		**(2,686,739)**
Change in net position of governmental activities (Exhibit II)	**$**	**66,558,982**

The notes to the basic financial statements are an integral part of this statement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CITY OF DENTON, TEXAS **Exhibit VII**
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Budgeted Amounts		Actual	Adjustments - Budgetary	Actual on a Budgetary	Variance with Final Budget - Positive
	Original	Final	Amounts	Basis	Basis	(Negative)
REVENUES:						
Taxes	$ 130,330,041	$ 130,330,041	$ 126,828,879	$ -	$ 126,828,879	$ (3,501,162)
Licenses and permits	6,415,806	6,415,806	6,853,283	-	6,853,283	437,477
Franchise fees	30,053,643	30,053,643	19,461,375	-	19,461,375	(10,592,268)
Fines and forfeitures	2,106,531	2,106,531	2,749,785	-	2,749,785	643,254
Fees for services	12,108,150	12,108,150	13,863,902	-	13,863,902	1,755,752
Investment revenue	2,352,098	2,352,098	2,539,720	-	2,539,720	187,622
Intergovernmental	3,197,656	3,197,656	2,848,052	-	2,848,052	(349,604)
Miscellaneous	106,648	106,648	6,420,575	(1,141,585)	5,278,990	5,172,342
Total revenues	186,670,573	186,670,573	181,565,571	(1,141,585)	180,423,986	(6,246,587)
EXPENDITURES:						
Current:						
General government	50,709,750	47,323,595	38,881,766	6,949,135	45,830,901	1,492,694
Public safety	103,661,323	103,674,823	111,125,738	(7,154,651)	103,971,087	(296,264)
Public works	3,332,781	3,345,900	3,799,305	(492,282)	3,307,023	38,877
Parks and recreation	24,665,353	24,590,080	25,304,356	(1,348,895)	23,955,461	634,619
Capital outlay	704,483	658,223	490,351	-	490,351	167,872
Total expenditures	183,073,690	179,592,621	179,601,516	(2,046,693)	177,554,823	2,037,798
Excess (deficiency) of revenues over (under) expenditures	3,596,883	7,077,952	1,964,055	905,108	2,869,163	(4,208,789)
OTHER FINANCING SOURCES (USES):						
Proceeds from sale of capital assets	198,528	198,528	344,186	-	344,186	145,658
Transfer in	20,710,051	20,710,051	7,887	20,710,050	20,717,937	7,886
Transfers out	(24,505,462)	(27,986,531)	(1,567,660)	(21,544,768)	(23,112,428)	4,874,103
Total other financing sources (uses)	(3,596,883)	(7,077,952)	(1,215,587)	(834,718)	(2,050,305)	5,027,647
Net change in fund balance	-	-	748,468	70,390	818,858	818,858
Fund balance, beginning of year	42,077,084	42,077,084	42,077,084	-	42,077,084	-
Fund balance at end of year	$ 42,077,084	$ 42,077,084	$ 42,825,552	$ 70,390	$ 42,895,942	$ 818,858

Adjustments - Budgetary Basis are expenditures allocated to and reimbursed by other funds. These expenditures are recorded in the other funds' financials.

The notes to the basic financial statements are an integral part of this statement.

CITY OF DENTON, TEXAS **Exhibit VIII**
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AS OF SEPTEMBER 30, 2025

	Business-type Activities - Enterprise Funds		
	Utility System		
	Electric Fund	Water Fund	Wastewater Fund
ASSETS:			
Current assets:			
Cash, cash equivalents and investments, at fair value	$ 84,810,373	$ 54,802,111	$ 25,790,379
Receivables, net of allowances:			
Accounts	10,228,011	2,356,272	2,068,034
Unbilled utility service	14,848,692	3,062,471	2,630,653
Accrued interest	564,158	364,509	171,557
Other	6,182,745	-	-
Interfund receivables	21,945,369	2,186,986	1,222,698
Due from other governments	-	2,107,243	-
Merchandise inventory	-	-	-
Prepaid items	41,368,323	-	-
Total current assets	179,947,671	64,879,592	31,883,321
Noncurrent assets:			
Restricted assets:			
Cash, cash equivalents and investments, at fair value	89,432,981	173,436,421	180,440,346
Escrow deposit	-	5,437,022	-
Accrued interest	594,908	1,153,698	1,200,288
Other receivables	-	-	-
Total restricted assets	90,027,889	180,027,141	181,640,634
Unamortized debt issuance costs - insurance	413,079	-	-
Other Assets	132,336,721	-	-
Lease assets, net of accumulated amortization	-	-	-
Right-to-use assets, net of accumulated amortization	3,085,460	185,506	-
Capital assets, net of accumulated depreciation	822,193,298	507,754,878	459,871,061
Total noncurrent assets	1,048,056,447	687,967,525	641,511,695
Total assets	1,228,004,118	752,847,117	673,395,016
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred charges on refunding	178,020	269,546	-
Deferred pension balances	3,203,970	1,004,656	720,289
Deferred other post employment benefit balances	618,579	297,179	330,357
Total deferred outflows of resources	4,000,569	1,571,381	1,050,646
LIABILITIES:			
Current liabilities:			
Accounts payable	8,291,329	1,082,836	803,067
Retainage payable	-	478,922	650,682
Claims payable	-	-	-
Compensated absences payable	2,401,067	1,072,938	912,329
Other post employment benefits	127,458	66,252	55,667
Deposits	11,390,619	952,017	769,954
Accrued interest	-		-
Interfund payables	-	-	-
Right-to-use liability	2,622,528	25,381	-
Unearned revenue	21,956,924		
Payable from restricted assets:			
Accounts payable	12,636,198	935,937	2,096,820
Retainage payable	4,705,761	2,419,128	810,729
Accrued interest	7,184,326	1,179,431	1,077,243
Certificate, general obligation, and revenue bonds	43,809,571	12,612,283	10,359,471
Total current liabilities paid from restricted assets	68,335,856	17,146,779	14,344,263
Total current liabilities	115,125,781	20,825,125	17,535,962

(continued on the following page)

CITY OF DENTON, TEXAS **Exhibit VIII**
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AS OF SEPTEMBER 30, 2025

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Solid Waste Fund	Airport Fund	Total Enterprise Funds	
ASSETS:				
Current assets:				
Cash, cash equivalents and investments, at fair value	$ 19,483,260	$ 3,292,780	$ 188,178,903	$ 12,073,483
Receivables, net of allowances:				
Accounts	1,696,498	98,406	16,447,221	-
Unbilled utility service	2,265,545	-	22,807,361	-
Accrued interest	129,584	21,904	1,251,712	79,532
Other	655,104	-	6,837,849	1,871,994
Interfund receivables	-	-	25,355,053	-
Due from other governments	-	-	2,107,243	-
Merchandise inventory	-	-	-	26,229,223
Prepaid items	-	-	41,368,323	6,606
Total current assets	24,229,991	3,413,090	304,353,665	40,260,838
Noncurrent assets:				
Restricted assets:				
Cash, cash equivalents and investments, at fair value	37,466,047	1,243,634	482,019,429	12,380,799
Escrow deposit	-	-	5,437,022	244,000
Accrued interest	249,224	8,273	3,206,391	82,356
Other receivables	-	83,453	83,453	-
Total restricted assets	37,715,271	1,335,360	490,746,295	12,707,155
Unamortized debt issuance costs - insurance	-	-	413,079	-
Other Assets	-	-	132,336,721	-
Lease assets, net of accumulated amortization	-	-	-	94,014
Right-to-use assets, net of accumulated amortization	468,657	-	3,739,623	7,313,004
Capital assets, net of accumulated depreciation	72,403,994	19,899,621	1,882,122,852	19,624,288
Total noncurrent assets	110,587,922	21,234,981	2,509,358,570	39,738,461
Total assets	134,817,913	24,648,071	2,813,712,235	79,999,299
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred charges on refunding	20,312	-	467,878	-
Deferred pension balances	972,187	130,004	6,031,106	3,904,762
Deferred other post employment benefit balances	411,567	18,209	1,675,891	878,843
Total deferred outflows of resources	1,404,066	148,213	8,174,875	4,783,605
LIABILITIES:				
Current liabilities:				
Accounts payable	936,853	87,434	11,201,519	4,016,185
Retainage payable	-	-	1,129,604	29,459
Claims payable	-	-	-	3,004,453
Compensated absences payable	1,407,574	104,672	5,898,580	3,304,574
Other post employment benefits	84,423	4,701	338,501	178,037
Deposits	823,359	11,100	13,947,049	145,945
Accrued interest	-	-	-	282,573
Interfund payables	-	-	-	28,490,454
Right-to-use liability	-	-	2,647,909	4,260,572
Unearned revenue			21,956,924	-
Payable from restricted assets:				
Accounts payable	109,315	-	15,778,270	4,366
Retainage payable	416,394	-	8,352,012	-
Accrued interest	278,005	-	9,719,005	-
Certificate, general obligation, and revenue bonds	4,791,756	-	71,573,081	1,723,374
Total current liabilities paid from restricted assets	5,595,470	-	105,422,368	1,727,740
Total current liabilities	8,847,679	207,907	162,542,454	45,439,992

(continued on the following page)

CITY OF DENTON, TEXAS **Exhibit VIII**
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AS OF SEPTEMBER 30, 2025

	Business-type Activities - Enterprise Funds		
	Utility System		
	Electric Fund	Water Fund	Wastewater Fund
Noncurrent liabilities:			
General obligation bonds payable	$ 87,547,580	$ 20,046,314	$ 12,401,069
Certificates of obligation	410,789,819	194,858,761	209,306,380
Revenue bonds payable	311,066,938	9,920,000	-
Compensated absences payable	635,249	127,625	110,456
Claims and judgement payable	-	-	-
Lease liability	-	-	-
Right-to-use liability	111,036	109	-
Net pension liability	13,480,240	3,957,413	3,783,884
Total other post-employment benefits liability	5,985,979	2,909,675	3,196,598
Landfill closure/postclosure costs	-	-	-
Total noncurrent liabilities	829,616,841	231,819,897	228,798,387
Total liabilities	944,742,622	252,645,022	246,334,349
DEFERRED INFLOWS OF RESOURCES:			
Deferred inflows - leases	1,507,377	-	-
Deferred charges on refundings	1,020,712	233,904	350,154
Deferred other post employment benefit balances	1,098,621	553,356	541,872
Deferred - other	-	2,107,243	-
Total deferred inflows of resources	3,626,710	2,894,503	892,026
NET POSITION:			
Net investment in capital assets	172,269,639	372,479,378	352,697,671
Restricted for debt service	22,953,227	404,078	-
Restricted for capital acquisition	-	78,961,142	53,489,400
Unrestricted	88,412,489	47,034,375	21,032,216
Total net position	$ 283,635,355	$ 498,878,973	$ 427,219,287

(continued on the following page)

The notes to the basic financial statements are an integral part of this statement.

CITY OF DENTON, TEXAS **Exhibit VIII**
STATEMENT OF NET POSITION (concluded)
PROPRIETARY FUNDS
AS OF SEPTEMBER 30, 2025

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Solid Waste Fund	Airport Fund	Total Enterprise Funds	
Noncurrent liabilities:				
General obligation bonds payable	$ 7,154,728	$ -	$ 127,149,691	$ -
Certificates of obligation	38,872,118	-	853,827,078	20,041,242
Revenue bonds payable	-	-	320,986,938	-
Compensated absences payable	340,639	10,842	1,224,811	360,309
Claims and judgement payable	-	-	-	6,392,399
Lease liability	-	-	-	95,481
Right-to-use liability	394,586	-	505,731	1,853,470
Net pension liability	4,640,987	461,987	26,324,511	13,469,479
Total other post-employment benefits liability	3,674,836	198,467	15,965,555	7,554,733
Landfill closure/postclosure costs	14,298,236	-	14,298,236	-
Total noncurrent liabilities	69,376,130	671,296	1,360,282,551	49,767,113
Total liabilities	78,223,809	879,203	1,522,825,005	95,207,105
DEFERRED INFLOWS OF RESOURCES:				
Deferred inflows - leases	634,484	-	2,141,861	898,062
Deferred charges on refundings	256,908	-	1,861,678	-
Deferred other post employment benefit balances	738,696	36,237	2,968,782	1,498,461
Deferred - other	-	-	2,107,243	-
Total deferred inflows of resources	1,630,088	36,237	9,079,564	2,396,523
NET POSITION:				
Net investment in capital assets	41,668,783	21,151,527	960,266,998	11,433,600
Restricted for debt service	-	-	23,357,305	-
Restricted for capital acquisition	-	1,251,906	133,702,448	-
Unrestricted	14,699,299	1,477,411	172,655,790	(24,254,324)
Total net position	$ 56,368,082	$ 23,880,844	$ 1,289,982,541	$ (12,820,724)
Adjustment to reflect inclusion of internal service fund activities related to enterprise funds.			(6,647,914)	
Net position of business-type activities (Exhibit I)			$ 1,283,334,627	

The notes to the basic financial statements are an integral part of this statement. **(concluded)**

CITY OF DENTON, TEXAS **Exhibit IX**
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Business-type Activities - Enterprise Funds		
	Utility System		
	Electric Fund	Water Fund	Wastewater Fund
OPERATING REVENUES:			
Utility services	$ 248,814,658	$ 45,463,323	$ 41,588,841
Charges for goods and services	-	-	-
Other fees	9,481,123	1,380,136	1,951,353
Miscellaneous	-	-	-
Total operating revenues	258,295,781	46,843,459	43,540,194
OPERATING EXPENSES:			
Operating expenses before depreciation and amortization	192,470,221	34,073,460	34,903,110
Depreciation and amortization	26,025,997	13,592,921	14,290,676
Total operating expenses	218,496,218	47,666,381	49,193,786
Operating income (loss)	39,799,563	(822,922)	(5,653,592)
NON-OPERATING REVENUES (EXPENSES):			
Investment revenue	8,130,935	6,448,381	5,740,542
Interest expense and fiscal charges	(24,324,608)	(6,001,761)	(5,925,963)
Impact fee revenue	-	16,933,035	12,554,438
Gain on disposal of capital assets	(365,390)	38,815	348,789
Gas well revenues	-	-	-
Other non-operating revenues (expenses)	10,767,142	15,837,828	3,345,738
Total non-operating revenues (expenses)	(5,791,921)	33,256,298	16,063,544
Income (loss) before contributions and transfers	34,007,642	32,433,376	10,409,952
CONTRIBUTIONS AND TRANSFERS:			
Capital contributions	-	14,760,897	22,638,150
Transfers in	171,697	201,857	688,115
Transfers out	(1,308,009)	(1,369,752)	(430,434)
Total contributions and transfers	(1,136,312)	13,593,002	22,895,831
Change in net position	32,871,330	46,026,378	33,305,783
Net position at beginning of year	250,764,025	452,852,595	393,913,504
Total net position at end of year	$ 283,635,355	$ 498,878,973	$ 427,219,287

(continued on the following page)

The notes to the basic financial statements are an integral part of this statement.

CITY OF DENTON, TEXAS **Exhibit IX**
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION (concluded)
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Business-type Activities - Enterprise Funds			Governmental Activities -
	Solid Waste Fund	Airport Fund	Total Enterprise Funds	Internal Service Funds
OPERATING REVENUES:				
Utility services	$ 43,808,482	$ 1,964,579	$ 381,639,883	$ -
Charges for goods and services	-	-	-	127,800,203
Other fees	774,803	-	13,587,415	-
Miscellaneous	2,649	70,015	72,664	5,177,570
Total operating revenues	44,585,934	2,034,594	395,299,962	132,977,773
OPERATING EXPENSES:				
Operating expenses before depreciation and amortization	35,699,496	1,602,990	298,749,277	133,491,048
Depreciation and amortization	6,352,429	1,243,268	61,505,291	6,206,762
Total operating expenses	42,051,925	2,846,258	360,254,568	139,697,810
Operating income (loss)	2,534,009	(811,664)	35,045,394	(6,720,037)
NON-OPERATING REVENUES (EXPENSES):				
Investment revenue	1,957,152	378,163	22,655,173	1,359,900
Interest expense and fiscal charges	(1,426,861)	-	(37,679,193)	(1,034,446)
Impact fee revenue	-	-	29,487,473	-
Gain on disposal of capital assets	574,577	-	596,791	(1,035,646)
Gas well revenues	-	259,000	259,000	-
Other non-operating revenues (expenses)	-	24,751	29,975,459	(99,358)
Total non-operating revenues (expenses)	1,104,868	661,914	45,294,703	(809,550)
Income (loss) before contributions and transfers	3,638,877	(149,750)	80,340,097	(7,529,587)
CONTRIBUTIONS AND TRANSFERS:				
Capital contributions	-	-	37,399,047	30,000
Transfers in	156,589	-	1,218,258	67,970
Transfers out	(4,049)	(751,656)	(3,863,900)	(338,013)
Total contributions and transfers	152,540	(751,656)	34,753,405	(240,043)
Change in net position	3,791,417	(901,406)	115,093,502	(7,769,630)
Net position at beginning of year	52,576,665	24,782,250	1,174,889,039	(5,051,094)
Total net position at end of year	$ 56,368,082	$ 23,880,844	$ 1,289,982,541	$ (12,820,724)
Change in fund net position of proprietary funds			115,093,502	
Adjustment to reflect inclusion of internal service fund activities related to enterprise funds.			(5,082,891)	
Change in net position of business-type activities (Exhibit II)			$ 110,010,611	

The notes to the basic financial statements are an integral part of this statement. (concluded)

CITY OF DENTON, TEXAS **Exhibit X**
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Business-type Activities - Enterprise Funds		
	Utility System		
	Electric Fund	Water Fund	Wastewater Fund
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	$ 277,940,303	$ 44,693,004	$ 42,615,098
Cash paid to employees for services	(24,475,363)	(11,109,464)	(9,029,241)
Cash paid to suppliers	(176,014,877)	(28,491,326)	(25,535,031)
Net cash provided (used) by operating activities	77,450,063	5,092,214	8,050,826
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in	171,697	201,857	688,115
Transfers out	(1,308,009)	(1,369,752)	(430,434)
Other nonoperating revenues	-	17,945,071	3,345,738
Principal payments on non-capital debt	(5,615,000)	-	-
Interest and fiscal charges on non-capital debt	(124,500)	-	-
Net cash provided (used) by noncapital financing activities:	(6,875,812)	16,777,176	3,603,419
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from issuance of debt	65,610,171	91,981,417	81,413,338
Principal payments on capital debt	(56,415,000)	(8,131,433)	(9,905,000)
Interest and fiscal charges	(29,272,288)	(10,528,167)	(7,157,097)
Lease liability	-	-	-
Acquisition of Right-to-use assets	(1,734,443)	76,325	-
Proceeds from gas wells	-	-	-
Proceeds from impact fees	-	16,933,035	12,554,438
Proceeds from lease financing	-	-	-
Proceeds from capital contributions and transfers in	-	-	-
Proceeds from sale or reimbursement of capital assets	336,353	42,550	408,150
Acquisition and construction of capital assets	(85,145,830)	(58,218,126)	(36,579,791)
Net cash provided (used) by capital financing activities	(106,621,037)	32,155,601	40,734,038
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sale and maturities of investment securities	91,610,849	38,640,244	33,027,242
Purchase of investment securities	(83,094,618)	(82,572,714)	(74,635,627)
Interest received on investments	8,350,225	6,119,676	5,258,830
Proceeds from ownership investment	3,267,142	-	-
Net cash provided (used) by investing activities	20,133,598	(37,812,794)	(36,349,555)
Net increase (decrease) in cash and cash equivalents	(15,913,188)	16,212,197	16,038,728
Cash and cash equivalents at beginning of year	79,910,991	67,620,780	59,707,711
Cash and cash equivalents at end of year	63,997,803	83,832,977	75,746,439
Investments, at fair value (Note IV.A.)	110,245,551	144,405,555	130,484,286
Cash, cash equivalents and investments, at fair value	$ 174,243,354	$ 228,238,532	$ 206,230,725
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	$ 39,799,563	$ (822,922)	$ (5,653,592)
Adjustments:			
Depreciation and amortization expense	26,025,997	13,592,921	14,290,676
Decrease (Increase) in receivables	932,605	(1,579,723)	(212,823)
Decrease (Increase) in interfund receivables	(2,568,623)	(570,732)	(712,273)
Decrease (Increase) in inventories	-	-	-
Decrease (Increase) in customer deposits	(523,773)	-	-
Decrease (Increase) in prepaid items	(21,496,197)	-	-
Decrease (Increase) in other assets	2,258,072	-	-
Decrease (Increase) in escrow deposits	-	(5,437,022)	-
Increase (Decrease) in accounts payable	9,883,799	(896,639)	(408,087)
Decrease in unearned revenue	21,956,924	-	-
Increase (Decrease) in compensated absences payable	1,048,025	665,439	623,004
Increase (Decrease) in net municipal pension balances	116,303	41,094	32,930
Increase (Decrease) in other post-employment benefit balances	169,979	99,798	90,991
Increase (Decrease) in closure/postclosure liability	-	-	-
Increase (Decrease) in interfund payables	-	-	-
Increase (Decrease) in lease deferred inflows	(152,611)	-	-
Total adjustments	37,650,500	5,915,136	13,704,418
Net cash provided (used) by operating activities	$ 77,450,063	$ 5,092,214	$ 8,050,826
NONCASH CAPITAL, INVESTING AND FINANCING ACTIVITIES:			
Decrease in fair value of investments	(317,239)	(93,888)	(72,734)
Capital asset contributions	-	14,760,897	22,638,150
Right-to-use assets acquired through lease and SBITA Liabilities	(611,257)	-	-

The notes to the basic financial statements are an integral part of this statement.

(continued on the following page)

CITY OF DENTON, TEXAS **Exhibit X**
STATEMENT OF CASH FLOWS (concluded)
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Business-type Activities - Enterprise Funds			Governmental Activities
	Solid Waste Fund	Airport Fund	Total Enterprise Funds	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	$ 44,897,897	$ 2,027,127	$ 412,173,429	$ 132,380,175
Cash paid to employees for services	(13,879,980)	(780,817)	(59,274,865)	(34,246,478)
Cash paid to suppliers	(19,478,404)	(791,346)	(250,310,984)	(96,191,435)
Net cash provided (used) by operating activities	11,539,513	454,964	102,587,580	1,942,262
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers in	156,589	-	1,218,258	67,970
Transfers out	(4,049)	(751,656)	(3,863,900)	(338,013)
Other nonoperating revenues	-	-	21,290,809	-
Principal payments on non-capital debt	-	-	(5,615,000)	-
Interest and fiscal charges on non-capital debt	-	-	(124,500)	-
Net cash provided (used) by noncapital financing activities:	152,540	(751,656)	12,905,667	(270,043)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from issuance of debt	13,239,412	-	252,244,338	(710,000)
Principal payments on capital debt	(5,804,597)	-	(80,256,030)	2,110,323
Interest and fiscal charges	(1,582,129)	-	(48,539,681)	(889,340)
Lease liability	-	-	-	(78,205)
Acquisition of Right-to-use assets	(57,844)	-	(1,715,962)	(3,543,051)
Proceeds from gas wells	-	259,000	259,000	-
Proceeds from impact fees	-	-	29,487,473	-
Proceeds from lease financing	-	-	-	2,993
Proceeds from capital contributions and transfers in	-	-	-	30,000
Proceeds from sale or reimbursement of capital assets	1,218,250	-	2,005,303	(232,889)
Acquisition and construction of capital assets	(15,341,195)	33,497	(195,251,445)	(4,271,302)
Net cash provided (used) by capital financing activities	(8,328,103)	292,497	(41,767,004)	(7,581,471)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Proceeds from sale and maturities of investment securities	18,583,515	1,576,815	183,438,665	7,318,303
Purchase of investment securities	(23,744,572)	(1,964,471)	(266,012,002)	(5,748,890)
Interest received on investments	1,941,421	383,220	22,053,372	1,397,460
Proceeds from ownership investment	-	-	3,267,142	-
Net cash provided (used) by investing activities	(3,219,636)	(4,436)	(57,252,823)	2,966,873
Net increase (decrease) in cash and cash equivalents	144,314	(8,631)	16,473,420	(2,942,379)
Cash and cash equivalents at beginning of year	20,774,348	1,674,719	229,688,549	11,998,410
Cash and cash equivalents at end of year	20,918,662	1,666,088	246,161,969	9,056,031
Investments, at fair value (Note IV.A.)	36,030,645	2,870,326	424,036,363	15,398,251
Cash, cash equivalents and investments, at fair value	$ 56,949,307	$ 4,536,414	$ 670,198,332	$ 24,454,282
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	$ 2,534,009	$ (811,664)	$ 35,045,394	$ (6,720,037)
Adjustments:				
Depreciation and amortization expense	6,352,429	1,243,268	61,505,291	6,206,762
Decrease (Increase) in receivables	156,243	(7,467)	(711,165)	(1,739)
Decrease (Increase) in interfund receivables	-	-	(3,851,628)	-
Decrease (Increase) in inventories	-	-	-	(3,279,938)
Decrease (Increase) in customer deposits	183,406	-	(340,367)	-
Decrease (Increase) in prepaid items	-	-	(21,496,197)	4,574
Decrease (Increase) in other assets	-	-	2,258,072	-
Decrease (Increase) in escrow deposits	-	-	(5,437,022)	-
Increase (Decrease) in accounts payable	(34,673)	(37,443)	8,506,957	1,321,091
Decrease in unearned revenue	-	-	21,956,924	-
Increase (Decrease) in compensated absences payable	1,048,827	58,141	3,443,436	1,935,663
Increase (Decrease) in net municipal pension balances	50,876	119,877	361,080	139,033
Increase (Decrease) in other post-employment benefit balances	119,775	(109,748)	370,795	332,711
Increase (Decrease) in closure/postclosure liability	1,152,911	-	1,152,911	-
Increase (Decrease) in interfund payables	3,396	-	3,396	2,101,494
Increase (Decrease) in lease deferred inflows	(27,686)	-	(180,297)	(97,352)
Total adjustments	9,005,504	1,266,628	67,542,186	8,662,299
Net cash provided (used) by operating activities	$ 11,539,513	$ 454,964	$ 102,587,580	$ 1,942,262
NONCASH CAPITAL, INVESTING AND FINANCING ACTIVITIES:				
Decrease in fair value of investments	(57,303)	(4,737)	(545,901)	(46,544)
Capital asset contributions	-	-	37,399,047	30,000
Right-to-use assets acquired through lease and SBITA Liabilities	390,398	-	(220,859)	4,742,073

The notes to the basic financial statements are an integral part of this statement. **(concluded)**

CITY OF DENTON, TEXAS **Exhibit XI**
STATEMENT OF FIDUCIARY NET POSITION
TOURISM PUBLIC IMPROVEMENT DIST. FUND
AS OF SEPTEMBER 30, 2025

	Tourism Public Improvement District Fund
ASSETS	
Cash, cash equivalents and investments at fair value	**$ 272,817**
Receivables:	
Accounts receivable	**1,815**
Total assets	**274,632**
LIABILITIES	
Total liabilities	**-**
NET POSITION	
Restricted for:	
Other Organizations and Governments	**274,632**
Total net position	**$ 274,632**

Exhibit XII

CITY OF DENTON, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
TOURISM PUBLIC IMPROVEMENT DIST. FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Tourism Public Improvement District Fund
ADDITIONS	
Assessments Collected	**$ 981,871**
Investment revenue	**17,049**
Total additions	**998,920**
DEDUCTIONS	
Payments to DTPID	719,506
Administrative Costs	64,160
Total deductions	**783,666**
Net increase (decrease) in fiduciary net position	**215,254**
Net position, beginning	**59,378**
Net position, ending	**$ 274,632**

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Denton is a municipal corporation governed by an elected seven-member council consisting of a mayor elected at large and six councilpersons, four representing specific geographical districts and two elected at large. The City receives funding from state and federal government sources and must comply with the requirements of these funding source entities. However, the City is not included in any other governmental "reporting entity," as defined in pronouncements by the Governmental Accounting Standards Board (GASB), as council members are elected by the public and have decision-making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters.

The financial statements of the City have been prepared to conform to accounting principles generally accepted (GAAP) in the United States of America as applicable to state and local governments. Generally accepted accounting principles for local governments include principles prescribed by GASB, the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies.

A. Reporting Entity

An elected seven-member council consisting of a mayor and six councilpersons governs the City. As required by accounting principles generally accepted in the United States of America, these financial statements present the City (the primary government) and its component units, which are entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations, and so data from these units are combined with data from the primary government. A discretely presented component unit, on the other hand, is reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the City. The City had no component units, discretely presented or blended, at September 30, 2025.

B. Government-wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The reporting focus is either the City as a whole (government-wide financial statements) or major individual funds (within the fund financial statements). The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category (public safety, public works, etc.) or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment; (2) grants and contributions that are restricted to meeting operational requirements of a particular function or segment; and (3) grants and contributions that are restricted to meeting the capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The net cost (by function or business-type activity) is normally covered by general revenue (property taxes, sales taxes, franchise fees, interest income, etc.).

Separate fund financial statements are provided for governmental funds and proprietary funds. Major governmental funds and major enterprise funds are reported as separate columns in the fund financial statements. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category and for the governmental and enterprise funds combined) for the determination of major funds. Non-major funds are combined in a column in the fund financial statements.

Internal service funds, which traditionally provide services primarily to other funds of the government, are presented in summary form as part of the proprietary fund financial statements. The financial statements of internal service funds are allocated (based on the percentage of goods or services provided) between the governmental and business-type activities when presented at the government-wide level.

The government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on the major individual funds of the governmental and business-type categories, as well as the fiduciary funds (by category). Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund-level financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized and susceptible to accrual as soon as they are both measurable and available. Revenues are available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Any amounts collected beyond the 60 days are recorded as deferred inflows of resources. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The City reports the following major governmental funds:

The general fund is the City’s primary operating fund. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid general operating costs, fixed charges and capital improvement costs that are not paid through other funds.

The debt service fund accounts for the accumulation of financial resources for the payment of principal, interest, and related costs on general long-term debt, paid primarily by taxes levied by the City. On a budgetary basis, the debt service fund also accounts for pass-through debt service payments from the self-supporting proprietary funds.

The capital projects fund accounts for financial resources used for the acquisition or construction of capital other than those recorded in the enterprise funds and internal service funds.

The ARPA fund accounts for the federal resources received by the City from the American Rescue Plan Act of 2021 and used for the programs as outlined by the plan.

Other governmental funds are a summarization of all the non-major governmental funds.

The City reports the following major proprietary funds:

The City utility system is made up of three separate funds as follows:

The electric fund accounts for electrical utility services to the residents and commercial establishments of the City. Activities necessary to provide such services are accounted for in the fund, including, but not limited to, administration, operations, maintenance, finance, and related debt service.

The water fund accounts for water utility services to the residents and commercial establishments of the City. Activities necessary to provide such services are accounted for in the fund, including, but not limited to, administration, operations, maintenance, finance, and related debt service.

The wastewater fund accounts for sewer and storm water services to the residents and commercial establishments of the City. Activities necessary to provide such services are accounted for in the fund, including, but not limited to, administration, operations, maintenance, finance, and related debt service.

The City provides additional services through the following funds:

The solid waste fund accounts for the provision of solid waste services to the residents of the City. Activities necessary to provide such services are accounted for in the fund, including, but not limited to, administration, operations, maintenance, finance, and related debt service.

The airport fund accounts for the airport services to the public and is funded through operational and gas well revenues. Activities necessary to provide such services are accounted for in the fund, including, but not limited to, administration, operations, maintenance, and finance.

The City additionally reports the following funds:

Internal service funds are used to account for the financing of materials and services provided by one department of the City to other departments of the City on a cost-reimbursement basis.

The materials management fund accounts for the financing of the goods and services of the purchasing department as well as the management and inventory of the City warehouse activities.

The fleet services fund accounts for the financing of goods and services provided by the activities of the City garage and machine shop to other departments.

The health insurance fund accounts for the accumulation of resources for the self-insurance activities of the City for employee medical insurance as well as other employee insurance benefits including long-term disability, short-term disability, and dental and vision insurances.

The risk retention fund accounts for the accumulation of resources for the payment of activities associated with providing general liability insurance coverage and self-funded activities for City departments.

The technology services fund accounts for financing and management of technology equipment, software, and services such as programming, support, training, maintenance, and office services to City departments.

The engineering services fund accounts for providing engineering, real estate, public works inspection, and development review services primarily to City departments although some services are provided to and paid by external entities.

The customer service fund accounts for providing customer service activities to residents and businesses for City departments. Services include bill pay, utility service requests, connect/disconnect services, maintenance of customer accounts, utility billing, operator calls, collections, accounts receivable, and cash handling.

The facilities fund accounts for the maintenance of all city-owned facilities and vertical construction projects.

The environmental services fund accounts for the consolidated environmental-related services provided across the City.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's electric, water, wastewater, solid waste, and airport funds are charges to customers for services. Operating expenses for the enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The City recognizes, as an asset or a liability, the difference between the electric fund's energy cost adjustment (ECA) revenue collected and related costs.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Budgetary Information

The City Council follows these procedures, as prescribed by City Charter, in establishing the budgets reflected in the financial statements:

1. Within the time period required by law, the City Manager submits to the City Council a proposed budget for the fiscal year beginning on the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted prior to the adoption of the budget to obtain taxpayer comments.
3. The annual budget adopted by the City Council covers the general fund, non-major special revenue funds (Police Confiscation Fund, Tourist and Convention Fund, Gas Well Revenues Fund, Street Improvement Fund, and the Citizens' Park Trusts), the debt service fund, the enterprise funds, and internal service funds. The budget is legally enacted by the City Council through passage of an ordinance prior to the beginning of the fiscal year. The basic financial statements reflect the legal level of control, (i.e. the level at which expenditures cannot legally exceed the appropriated amount) which is established at the total fund level as approved by City Council.
4. The City Charter provides for the City Manager to transfer any part of the unencumbered appropriation balance or the entire balance thereof between programs or general classifications of expenditures within an office, department, agency, or organizational unit. (The City Council defines an organizational unit as set forth in Article VIII, Section 8.07 of the City Charter, to be a fund that has been appropriated by the City Council.) City Council approval is not required up to the fund level. The Charter also provides that at any time during the year, at the request of the City Manager, City Council may by resolution transfer any part of the unencumbered appropriation balance or the entire balance thereof from one office, department, agency, or organizational unit to another, as well as make any increases in fund appropriations.

Budgets are adopted on a basis for the governmental funds and the budgeted special revenue funds which are generally consistent with generally accepted accounting principles. Budgets for enterprise funds are prepared on the full accrual basis, except certain noncash transactions such as depreciation expense and amortization on debt issuance costs where it is not budgeted, and debt service payments where it is budgeted. Also, during the budgetary process, amounts are included in all fund budgets to recognize administrative transfers between funds for goods or services. These amounts are not included in the reporting of actual activity for the funds. For funds reporting required budget-to-actual comparisons, these administrative transfers are included as adjustments – budgetary basis.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed contracts for goods or services (i.e., purchase orders and contracts). While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances are re-appropriated against the subsequent year's budget, reducing the available appropriations for additional expenditures.

E. Assets, Liabilities and Net Position or Equity

1. Cash, cash equivalents and investments

The City's cash and cash equivalents are cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Investments are carried at fair value, except for the position in local government investment pools. Fair value is determined as the price at which two willing parties would complete an exchange.

The City uses a pooled cash and investment fund to hold and account for all the City's investments. For financial reporting purposes, the investment balances in the pooled fund are allocated back to the individual funds based on their respective share of the pooled total. Interest earned on investments is also allocated back and recorded directly to the individual funds monthly.

2. Receivables

Outstanding balances between funds are reported as "interfund receivables/payables." Any residual balances between governmental activities and business-type activities are reported in the government-wide statements as "internal balances."

Trade, property tax receivables, and municipal court receivables are shown as a net of an allowance for uncollectible accounts. The City accrues amounts for utility services provided in September but not billed by September 30, 2025.

3. Inventories

Inventories of supplies are maintained at the City warehouse for use by all City funds and are accounted for by the consumption method. Cost is determined by using a moving average method. No inventories exist in the governmental fund types.

4. Prepaid items

Certain costs applicable to future accounting periods are recorded as prepaid items. Most of these balances are due to payments into an account for energy settlements in the Electric Fund and health claims in the Employee Insurance Fund.

5. Other Assets

Certain costs applicable to future accounting periods are recorded as other assets. In a prior fiscal year, the City impaired its TMPA prepaid purchase power due to a permanent closure in generation and subsequent sale of the plant. The impaired amount was recorded as an Other Asset (regulatory) that will be fully amortized in FY 2025. See note IV.F. for more information on Other Assets and V.E. Agreement with TMPA for further information regarding TMPA.

6. Restricted assets

Certain proceeds of the City's governmental and proprietary fund general obligation bonds and certificates of obligation, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. Assets collected from impact fees are limited by state statute in use and shown as restricted on the balance sheet of the Water and Wastewater funds.

7. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary fund financial statements. The City defines capital assets as assets with an initial, individual cost of more than $15,000 and an estimated useful life more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire an asset with equivalent service potential at the acquisition date. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets are depreciated using the straight-line method over the following useful lives:

Assets	Years
Buildings	40
Infrastructure	20 – 40
General improvements	10
Machinery and equipment	10 – 20
Furniture and office equipment	10
Computer equipment/software	3 – 10
Plant and equipment	5
Underground pipe	40
Water storage rights	50 – 100
Water recreation rights	50
Communication equipment	5
Vehicles	3 – 10
Leases	1 – 100
Subscription-based IT agreement	1 – 5

Renewals and betterments of property and equipment are capitalized, whereas normal repair and maintenance are charged to expense as incurred.

8. Compensated absences

The City allows full-time employees to accumulate unused vacation time without a maximum balance. Upon termination, accumulated vacation time up to 320 hours (480 for civil service fire employees) will be paid to an employee. Generally, sick leave is not paid upon termination except for civil service fire fighters and police officers. Firefighters and police officers accumulate unused sick leave for payout up to a maximum of 1080 hours and 720 hours, respectively. All other employees are paid only upon illness or other valid sick leave uses while employed by the City. Accumulated vacation and sick leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements but have not been paid this amount at the end of the fiscal year. The General Fund and Other Governmental Funds are used to record any payout expenditures of the governmental funds' employees and related liability, while proprietary fund payouts for their employees are recorded as reductions to the liabilities in those funds.

9. Arbitrage

Arbitrage involves the investment of the proceeds from the sale of tax-exempt bonds in taxable instruments and securities authorized by the Public Funds Investment Act (Texas Government Code, Chapter 2256) that yield a higher rate, resulting in interest revenue in excess of interest costs. Federal tax

code requires that these excess earnings be rebated to the federal government. The Capital Projects Fund has been used in prior years to liquidate governmental funds' related liability. A liability was recorded at September 30, 2025, in the amount of $450,329 for positive arbitrage payments related to the 2020 bond issuance.

10. Pensions

For purposes of measuring the net pension liability, pension-related deferred outflows and inflows of resources, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and the Firemen's Relief and Retirement Fund (FRRF) and additions to/deductions from TMRS's and the FRRF's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS and the FRRF. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

11. Other post-employment benefits

The City participates in a single-employer, unfunded, defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefit Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year rather than prefunding. Benefit payments are treated as being equal to the City's yearly contribution for retirees. For purposes of measuring the total SDBF OPEB liability, related deferred outflows and inflows of resources, and expense, City specific information about its total SDBF liability and additions to/deductions from the City's total SDBF liability have been determined on the same basis as they are reported by TMRS. The SDBF expense and deferred (inflows)/outflows of resources related to SDBF, primarily result from changes in the components of the total SDBF liability. Most changes in the total SDBF liability will be included in SDBF expense in the period of the change. For example, changes in the total SDBF liability resulting from current-period service cost, interest on the Total OPEB Liability, and changes of benefit terms are required to be included in SDBF expense immediately. Changes in the total SDBF liability that have not been included in SDBF expense are required to be reported as deferred outflows of resources or deferred inflows of resources related to SDBF.

The City provides post-employment medical care (Medical OPEB) for retired employees through a single employer defined benefit medical plan. The plan provides medical benefits for eligible retirees, their spouses, and their dependents through the City's group health insurance plans. By providing retirees with access to the City's healthcare plans based on the same rates it charges to active employees, the City is in effect providing a subsidy to retirees. This implied subsidy exists because, on average, retiree healthcare costs are higher than active employee healthcare costs. By the City not contributing anything toward the plan in advance, the City employs a pay-as-you-go method through paying the higher rate for active employees each year. The City also contributes up to $200 per month, based on years of service, toward the cost of retiree coverage. As an irrevocable trust has not been established, the plan is not accounted for as a trust fund. For this purpose, plan contributions are recognized in the period that the direct and indirect subsidies are paid by the City. Total OPEB liability, OPEB-related deferred outflows, and inflows of resources, and OPEB expense is based on the actuarial measurement dates.

12. Long-term obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Gain/loss on refunding are reported as deferred outflow/inflow and recognized as a component of interest expense over the remaining life of the old debt or life of the new debt, whichever is shorter.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

13. Fund balance

The City follows GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and in accordance with the statement, the classifications of governmental fund balances are presented as follows:

*Nonspendable fund balance*s – include amounts not in a spendable form or are legally or contractually required to be maintained intact. Examples include inventory or endowments.

Restricted fund balance – include amounts that can be spent only for the specific purposes stipulated by external resource providers, creditors, grantors, and contributors or through enabling legislation.

Committed fund balance – include amounts that can be used only for the specific purposes determined by the City Council through an ordinance and may only be changed or lifted through another ordinance. The ordinance must either adopt or rescind the commitment, as applicable, prior to the last day of the fiscal year for which the commitment is made. The amount subject to the constraint may be determined in the subsequent period.

Assigned fund balance - comprise amounts intended to be used for specific purposes. Intent can be expressed by the City Council, or per the policy adopted by an ordinance by the City Council, the City Manager or the City Manager's designee (assistant city manager) may also make an assignment. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed and, at a minimum, is intended for the purpose of that fund.

Unassigned fund balance – is the residual classification of the general fund and includes all amounts not constrained in the other classifications. Unassigned amounts are technically available for any purpose. The General Fund is the only fund to report a positive unassigned fund balance amount. However, other governmental funds may report a negative unassigned fund balance as necessary if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned for those purposes.

When multiple categories of fund balance are available for expenditure and approved for use by the City Council, the City will start with the most restricted category and spend those funds first before moving down to the next category with available funds. Normally this would result in the use of restricted, then committed, then assigned, and lastly, unassigned fund balance.

14. Minimum fund balance policy

It is the goal of the City to achieve and maintain an unassigned fund balance in the General Fund equal to 20% of budgeted expenditures. An additional 5% resiliency reserve (25% combined total) may be maintained to safeguard against unusual financial circumstances or economic downturns.

15. Net position

Net position represents the difference between assets, deferred inflows, deferred outflows, and liabilities. Net investment in capital assets consists of capital assets net of accumulated depreciation and the outstanding balances of any borrowing spent for the acquisition, construction, or improvements of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

16. Deferred outflows and inflows of resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to future periods and will not be recognized as an outflow of resources, either expenses or expenditures, until that time. The City reports the following items qualifying for this category:

- Deferred loss on refunding reported in the statements of net position - A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price and is amortized over the shorter of the life of the refunded or refunding debt.
- Deferred pension and OPEB actuarial losses reported in the statement of net position – A deferred charge is recorded for the difference between actual experience and expected experience during the period between two actuarial valuations and is amortized over future periods.
- Deferred pension and other postemployment benefit plan contributions reported in the statement of net position – A deferred charge is recorded for pension contribution amounts paid by the City after the current year's measurement date (December 2024) and will be fully recognized as a reduction of the respective liability in the next period on the next measurement date (December 2025).
- Deferred pension and other postemployment benefit plan actuarial assumption changes – A deferred charge is recorded for the difference due to assumption changes and amortized over future periods.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to future periods and will not be recognized as an inflow of resources, or revenues, until that time. The City reports the following items qualifying for reporting in this category:

- Deferred gain on refunding reported in the statements of net position - A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price and is amortized over the shorter of the life of the refunded or refunding debt.
- Deferred pension excess earnings reported in the statement of net position – A deferred charge is recorded for the difference between actual investment earnings and expected investment earnings during the period and is amortized over future periods.
- Deferred pension and other postemployment benefit plan actuarial gains reported in the statement of net position – A deferred charge is recorded for the difference between actual experience and expected experience during the period between two actuarial valuations and is amortized over future periods.
- Deferred pension and other postemployment benefit plan actuarial assumption changes – A deferred charge is recorded for the difference due to assumption changes and amortized over future periods.
- Deferred amounts related to leases are reported for leases in which the City is the lessor – A deferred amount recorded to initially offset the total lease receivable recorded at lease commencement and is subsequently amortized as lease revenue over the life of the lease term.
- Deferred unavailable revenues reported on the balance sheet of the governmental funds – A deferred amount is recorded for the billed revenues not yet collected or available. These amounts are deferred and recognized as inflow of resources in the period the amounts become available.

17. Leases

A lease is defined as a contract conveying control of the right to use another entity's non-financial asset as specified in the contract for a period of greater than one year, in an exchange or exchange-like transaction.

City as lessee

The City is currently a lessee for noncancelable leases of land, buildings, equipment, or other assets. The City recognized a lease liability and an intangible right-to-use leased asset (lease asset) in the Government-wide and Proprietary Fund financial statements. Reporting includes lease assets with depreciable capital assets and lease liabilities with long-term liabilities. At the commencement of a lease, the City measured the lease liability at the present value of payments expected to be made over the course of the lease term. Subsequently, the lease liability is reduced by the principal portion of the lease payments. The lease asset is measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over the remaining lease term. Variable lease payments based on usage of the underlying assets are not included in the lease liability calculations but are recognized as outflows of resources in the period in which obligations are incurred.

Key estimates and judgments related to leases in which the City would be a lessee are as follows:

- The lease term includes the non-cancellable period of the lease. Extension options are included in the lease term unless it is reasonably certain that they will not be exercised.
- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City uses its estimated incremental borrowing rate as the discount rate for leases.
- Leases with payments depending on an index or rate, such as the Consumer Price Index or market rate, are initially measured using the index or rate as of the commencement of the lease term.
- Leases with periodic percentage payment increases or flat rate payment increases specified in the lease terms are included in the measurement of the lease liability.

The City monitors changes in circumstances requiring remeasurement of its leases and will remeasure the lease assets and liabilities if certain changes occur that are expected to significantly affect the amount of the lease liabilities.

City as lessor

The City is a lessor for non-cancelable leases of land, buildings, and equipment. The City recognizes a lease receivable and a deferred inflow of resources in the Government-wide, Governmental, and Proprietary Fund financial statements. At the commencement of a lease, the City measures the lease receivable at the present value of payments expected to be received over the life of the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the lease term.

Key estimates and judgements related to leases in which the City is a lessor are as follows:

- The lease term includes the non-cancellable period of the lease. Extension options are included in the lease term unless it is reasonably certain that they will not be exercised.
- The City uses its incremental borrowing rate as the discount rate for leases.
- Leases with payments depending on an index or rate, such as the Consumer Price Index or market rate, are initially measured using the index or rate as of the commencement of the lease term.
- Leases with periodic percentage payment increases or flat rate payment increases specified in the lease terms are included in the measurement of the lease receivable.

The City monitors changes in circumstances requiring a remeasurement of its leases and will remeasure the lease receivables and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivables.

18. Subscription-Based Information Technology Agreements (SBITA)

GASB 96 defines a SBITA as a contract that conveys control of the right to use another party's information technology (IT) software, alone or in combination with tangible capital assets, as specified in the contract for a period in an exchange or exchange-like transaction. The City recognizes a subscription liability and an intangible subscription right-of-use asset at the beginning of the subscription term if they have a term exceeding one year and the cumulative future payments on the contract exceed $100,000 unless the contract is considered a short-term SBITA. A SBITA asset is measured based on the net present value of subscription payments expected to be made during the subscription term, using the incremental borrowing rate, and is amortized using the straight-line method over the shorter of the subscription term or the useful life of the underlying IT assets. Remeasurement of a subscription liability occurs when there is a change in the contract term and/or other changes that are likely to have a significant impact on the subscription liability.

F. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of certain differences between the governmental fund statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities

An element of that reconciliation states, “Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which proceeds exceeded payments.” The details of this $(44,592,843) difference are as shown on the following page:

Debt issued or incurred:	
Issuance of general obligation debt	$ (51,660,000)
Issuance of certificates of obligation	(28,770,000)
Principal repayments:	
General obligation debt principal retirement	17,045,000
Certificates of obligation principal retirement	12,695,000
Refunded debt principal	11,390,000
Premium:	
General obligation bond premium	(3,543,112)
Certificates of obligation bond premium	(1,749,731)
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	$ (44,592,843)

Another element of that reconciliation states, "The net effect of various miscellaneous transactions involving capital assets (i.e., subscription-based IT agreements, leases, sales, trade-ins and donations) is to decrease net position." The details of this $9,243,124 difference are as follows:

Net effect of transactions involving asset retirements/disposals	$	(1,855,573)
Donations of capital assets increase net position in the statement of activities but do not appear in the governmental funds because they are not financial resources		11,098,697
Net adjustment to increase net changes in fund balances - total governmental funds	$	9,243,124

Another element of that reconciliation states, "Certain expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of the $520,934 difference are as follows:

Change in:		
Net pension liability	$	14,290,321
Municipal pension - Deferred		
Contributions	752,887	
Economic differences	(1,054,787)	
Assumption changes	(31,822)	
Actuarial gain/loss	(11,576,924)	
Total Municipal pension - Deferred		(11,910,646)
OPEB liability		(1,310,615)
OPEB - Deferred		
Contributions	121,640	
Economic differences	368,997	
Assumption changes	(129,908)	
Total OPEB - Deferred		360,729
Compensated absences		(1,243,048)
Accrued interest		334,193
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	$	520,934

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Deficit Fund Net Position

The Materials Management, Risk Retention, Engineering Services, Customer Service, Facilities and Environmental Services internal service funds had deficit net positions of ($255,543), ($5,728,618), ($6,466,192), ($3,524,693), ($434,994) and (2,767,480), respectively, due to the implementation of GASB Statement No. 68 "Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27" and GASB Statement No.75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" (OPEB) which resulted in an increase in the net pension liability and the total OPEB liability in the prior years during implementation.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

In order to facilitate effective cash management practices, the operating cash of all funds is pooled into a common account for the purpose of increasing income through combined investment activities. At year-end, the City had $400,097,453 in cash and cash equivalents of which $8,700 is in petty cash.

The Public Funds Investment Act (Texas Government Code) authorizes the City to invest in obligations of the U.S. Treasury, U.S. agencies, fully collateralized repurchase agreements, public fund investment pools, SEC-registered no-load money market mutual funds, municipal securities of any state rated A or better, certificates of deposit (fully collateralized, insured, and standby letters of credit backed), and commercial paper rated not less than A-1 or P-1 with a stated maturity of no more than 365 days. The City's investment policy may further restrict those investment options. The investments reported on September 30, 2025, were similar to those held during the fiscal year.

The City reports all investments in the financial statements at fair value. At September 30, 2025, the City's investments carried a fair value of $1,079,320,717 of which $391,568,238 was in a local governmental investment pool which the City classifies in the financial statements as cash equivalents, resulting in $687,752,479 of investment balances reported in the financial statements.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, Fair Value Measurement and Application establishes an authoritative definition of fair value, sets a framework for measuring fair value, and requires additional disclosures about fair value measurements. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels.

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets a government can access at the measurement date.
- Level 2 inputs are inputs, other than quoted prices included within Level 1, observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is based on the lowest priority level input significant to the entire measurement.

The City invests in State and Local Government Series (SLGS), which are classified in Level 2 of the fair value hierarchy which are valued using significant other observable inputs. The City considers SLGS Level 2 investments, because only government bodies or other entities that issue state or local government bonds may buy SLGS and may only buy SLGS if the proceeds from those state or local government bonds are

subject to yield restrictions and arbitrage rebate requirements. There is no fixed maturity rate, and the SLGS rollover daily and remain outstanding until redeemed, in whole or in part.

At September 30, 2025, the City had the following recurring fair value investments:

		Fair Value Measurement Method			
	9/30/2025	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Percent of Total Investments	Weighted Average Maturity (Days)
Investments Measured at Amortization Cost:					
TexSTAR - Investment Pool	$ 291,568,238	$ -	$ -	27.01%	1
TexPool - Investment Pool	$ 100,000,000	-	-	9.27%	1
Investments by Fair Value Level:					
Debt Securities:					
U.S. Treasury Securities	$ 463,736,856	-	463,736,856	42.97%	402
U.S. Treasury Securities - Discount	$ -	-	-	0.00%	135
U.S. Agency Securities	$ 124,883,050	-	124,883,050	11.57%	418
U.S. Agency Securities - Callable	$ 44,969,165	-	44,969,165	4.17%	224
Commercial Paper	$ 49,606,010	-	49,606,010	4.60%	99
Municipal Bonds - Coupon	$ 4,557,398	-	4,557,398	0.42%	730
Total Investments	1,079,320,717	-	687,752,479		
Total Cash and Investments	$ 1,079,320,717	$ -	$ 687,752,479		
Portfolio Weighted Average Maturity					238

Of the investments recorded at fair value, the U.S. treasuries, the U.S. agency securities, commercial paper, and municipal bonds are valued based upon observable inputs, including but not limited to, model prices for similar assets, benchmark yield curves, and matrix pricing.

Interest rate risk. In accordance with its investment policy, the City manages its exposure to declines in fair values due to interest rate fluctuations by limiting the weighted average maturity of its investment portfolio to less than twenty-four months.

Credit risk. The City's investment policy limits investments to obligations of the United States of America and its agencies, investment quality obligations of the State of Texas (including agencies, municipalities, counties, and other political subdivisions) with a rating not less than AA, certificates of deposits and savings deposits (fully insured, collateralized, or standby letter of credit backed), fully collateralized repurchase agreements, local public fund investment pools with a dollar weighted average maturity of 60 days or less, U.S. government money market mutual funds with a dollar weighted average maturity of 60 days or less and a stable net asset value of $1 for each share, and commercial paper that has a maturity of 270 days or less and a minimum rating of A-1, P-1, or an equivalent rating by at least two nationally recognized rating agencies. The City's investments in TexSTAR and TexPool were rated "AAAm" by Standard & Poor's, the highest rating a local government investment pool can achieve.

Custodial credit risk. This is the risk that in the event of a bank or counterparty failure, the City's deposits may not be returned. The policy states that all bank deposits of City funds shall be secured by pledged collateral with a market value equal to no less than 102 percent of the principal plus accrued interest less an amount insured by FDIC. As of September 30, 2025, the bank balance for deposits was $7,614,028 and was fully collateralized by the City's third-party custodian, BNY Mellon.

Concentration of Credit Risk. The City's investment policy minimizes the risk of potential loss by diversifying investment types according to the following limitations based on value: U.S. Treasury bills/notes/bonds (100%), U.S. Agencies and Instrumentalities (100%), State of Texas Obligations – including agencies and local governments (15%), local government investment pools (50% in government

securities and 15% in prime securities), repurchase agreements (20%), certificates of deposit (35%), savings deposits (15%), U.S. Money Market Mutual Funds (50%), callable U.S. Agencies and Instrumentalities (20%), and commercial paper (20%).

Local Government Investment Pools. During the year, the City invested in two public fund investment pools, TexSTAR and TexPool. The fair value of the position of TexSTAR is measured at net asset value, and the fair value of the position of TexPool is measured at amortized cost. Each pool's governing body is composed of individuals who are employees, officers, or elected officials of participants in the funds or who do not have a business relationship with the fund and are qualified to advise. Investment objective and strategies of the pools are to seek preservation of principal, liquidity and current income through investment in a diversified portfolio of short-term marketable securities. Pools offer same day access to investment funds, which may be redeemed daily. As the redemption period is only one day or less, the City classifies these balances in the financials as cash equivalent. The pools may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, a general banking moratorium, or a national state of emergency affecting the pool's liquidity. The City has no unfunded commitments related to the investment pool.

Cash, cash equivalents and investments, at fair value, are reported together on the financial statements. Investments, at fair value, by fund were as follows:

	General Fund	Debt Service	Capital Projects	Other Governmental Funds
Unrestricted investments	$ 25,372,657	$ 1,564,353	$ 187,472,378	$ 33,060,565
Change in fair value	86,944	5,362	642,408	113,288
Restricted investments	-	-	-	-
Change in fair value	-	-	-	-
Total	$ 25,459,601	$ 1,569,715	$ 188,114,786	$ 33,173,853

	Electric	Water	Wastewater	Solid Waste
Unrestricted investments	$ 53,477,140	$ 34,552,161	$ 16,262,111	$ 12,283,402
Change in fair value	183,250	118,399	55,725	42,092
Restricted investments	56,391,923	109,360,252	113,776,574	23,624,198
Change in fair value	193,238	374,743	389,876	80,953
Total	$ 110,245,551	$ 144,405,555	$ 130,484,286	$ 36,030,645

	Airport	Internal Service Funds	Total City Investments
Unrestricted investments	$ 2,076,261	$ 7,538,959	$ 373,659,987
Change in fair value	7,115	25,834	1,280,417
Restricted investments	784,173	7,806,706	311,743,826
Change in fair value	2,687	26,752	1,068,249
Total	$ 2,870,236	$ 15,398,251	$ 687,752,479

B. Property Tax Revenue

Property taxes attach as an enforceable lien on property as of January 1st. Taxes are levied on October 1st and are due and payable at that time; therefore, the legally enforceable claim arises on October 1st. A receivable is recorded at that time. All unpaid taxes levied October 1st become delinquent February 1st of the following year.

Property taxes at the fund level are recorded as receivables and revenue in the period they become available. Current-year revenues recognized are those Ad valorem taxes collected within the current period or soon enough thereafter to pay current liabilities, which is sixty days after year-end. All other outstanding receivables are adjusted from revenue and recognized as deferred inflows of resources for future collections. Current tax collections for the year ended September 30, 2025, were 99.30% of the tax levy. An allowance is provided for delinquent taxes not expected to be collected in the future.

At September 30, 2025, the City had a tax rate of $0.58542 per $100 valuation. Based upon the maximum Ad valorem tax of $2.50 per $100 valuation imposed by Texas Constitutional law, the City had a tax rate margin of $1.91458. Additional revenues up to $395,154,105 could be raised per year based on the current year's certified assessed value of $20,639,205,739 before the limit is reached.

On December 7, 2010, the City Council approved a Tax Increment Financing Reinvestment Zone (TIRZ #1) for the purpose of dedicating the increase in tax revenues generated within the TIRZ district for development in the downtown area of the City for a total of 30 years. The tax increment to be paid is 100% of the increment in years 1-5, 95% in years 6-10, 90% in years 11-20, and 85% in years 21-30. In fiscal year 2025, the total assessed value of $230,565,487 after supplemental adjustments for TIRZ #1 was an increase of $151,208,633 over the base fiscal year 2011 assessed value and resulted in $796,685 of property tax revenue recorded in the TIRZ Fund as part of All Other Special Revenue Funds.

On December 18, 2012, the City Council approved a Tax Increment Financing Reinvestment Zone (TIRZ #2) for the purpose of dedicating 40% of the increase in tax revenues generated within the TIRZ district for development in the Westpark Industrial District for a total of 25 years. In fiscal year 2025, the assessed value of $413,776,211 after supplemental adjustments was an increase of $413,656,753 over the base fiscal year 2014 assessed value and resulted in $968,651 of property tax revenue recorded in the TIRZ Fund as part of All Other Special Revenue Funds. Denton County participates in the zone and based on their tax rate and a participation contribution of 40% of the County’s tax rate, $310,853 of property tax revenue was generated for Fiscal Year 2025.

The City created the Rayzor Ranch Public Improvement District No. 1 in 2014 for the undertaking and financing of public improvements authorized by Chapter 372 of the Texas Local Government Code. The project is located on the City’s northern sector, east of Interstate 35, and encompasses approximately 229.693 contiguous acres. The estimated costs of the proposed public improvements total $40 million. The authorized improvement costs will be apportioned 100% to the District. The method of assessment will impose equal shares of the costs of the proposed public improvements on parcels that are similarly benefited. No City property will be assessed, and the City will not be obligated to pay any assessments.

C. Receivables

Receivables at September 30, 2025, for the City's individual major funds and other funds (non-major funds, internal service funds and fiduciary funds), including the applicable allowances for uncollectible accounts, are as follows:

	General	Debt Service	Capital Projects	ARPA	Other Governmental Funds	Electric
Receivables:						
Taxes	$ 11,595,072	$ 836,458	$ -	$ -	$ 410,703	$ -
Accounts	483,388	-	-	-	-	11,762,842
Accrued interest	267,671	16,503	1,977,744	-	346,958	1,159,066
Unbilled utility service	-	-	-	-	-	14,848,692
Lease	-	-	-	-	-	1,514,548
Other	15,910,765	-	-	-	36,569	4,668,198
Gross receivables	28,256,896	852,961	1,977,744	-	794,230	33,953,346
Less: Allowance for uncollectibles	(13,978,476)	(230,205)	-	-	-	(1,534,832)
Net Total receivables	$ 14,278,420	$ 622,756	$ 1,977,744	$ -	$ 794,230	$ 32,418,514

	Water	Wastewater	Solid Waste	Airport	Internal Service Funds	Total
Receivables:						
Taxes	$ -	$ -	$ -	$ -	$ -	$ 12,842,233
Accounts	2,753,366	2,339,360	1,844,358	117,978	624,152	19,925,444
Accrued interest	1,518,207	1,371,845	378,808	30,177	161,888	7,228,867
Unbilled utility service	3,062,471	2,630,653	2,265,545	-	-	22,807,361
Lease	-	-	655,104	-	1,017,864	3,187,516
Other	-	-	-	83,453	282,175	20,981,160
Gross receivables	7,334,044	6,341,858	5,143,815	231,608	2,086,079	86,972,581
Less: Allowance for uncollectibles	(397,094)	(271,326)	(147,860)	(19,572)	(52,197)	(16,631,564)
Net Total receivables	$ 6,936,950	$ 6,070,532	$ 4,995,955	$ 212,036	$ 2,033,882	$ 70,341,017

D. Capital Assets

Capital asset balances and transactions for the year ended September 30, 2025, are summarized below and on the following page.

Governmental activities:	Balance at September 30, 2024	Transfers and Increases	Transfers and Decreases	Balance at September 30, 2025
Capital assets not being depreciated/amortized:				
Land	$ 49,344,048	$ 4,441,555	$ -	$ 53,785,603
Construction in progress	353,398,312	112,603,355	(26,968,555)	439,033,112
Total capital assets not being depreciated/amortized	402,742,360	117,044,910	(26,968,555)	492,818,715
Capital assets being depreciated/amortized:				
Buildings	127,133,155	3,047,835	-	130,180,990
Right-to-use lease building	300,845	-	-	300,845
Infrastructure	479,618,584	15,732,752	(225,795)	495,125,541
Machinery, equipment, and other improvements	181,385,720	12,616,449	(3,636,605)	190,365,564
SBITA assets	13,098,184	16,035,502	(6,232,745)	22,900,941
Total capital assets being depreciated/amortized	801,536,488	47,432,538	(10,095,145)	838,873,881
Less accumulated depreciation/amortization for:				
Buildings	42,429,543	3,141,543	-	45,571,086
Right-to-use lease building	131,619	75,212	-	206,831
Infrastructure	250,272,774	17,774,336	-	268,047,110
Machinery, equipment, and other improvements	117,788,582	12,385,587	(2,993,041)	127,181,128
SBITA assets	6,848,879	6,103,772	(1,445,825)	11,506,826
Total accumulated depreciation/amortization	417,471,397	39,480,450	(4,438,866)	452,512,981
Total capital assets, being depreciated/amortized, net	384,065,091	7,952,088	(5,656,279)	386,360,900
Governmental activities capital assets, net	$ 786,807,451	$ 124,996,998	$ (32,624,834)	$ 879,179,615

(continued)

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

Business-type activities:	Balance at September 30, 2024	Transfers and Increases	Transfers and Decreases	Balance at September 30, 2025
Capital assets not being depreciated/amortized:				
Land	$ 89,923,052	$ 1,817,495	$ (165,039)	$ 91,575,508
Construction in progress	389,889,601	202,665,326	(124,253,340.00)	468,301,587
Total capital assets not being depreciated/amortized	479,812,653	204,482,821	(124,418,379.00)	559,877,095
Capital assets being depreciated/amortized:				
Buildings	40,347,903	-	-	40,347,903
Landfill improvements	32,550,765	-	-	32,550,765
Water rights	69,883,098	-	-	69,883,098
Infrastructure	835,382,293	118,466,803	-	953,849,096
Plant, machinery, equipment, and other improvements	936,252,165	34,146,860	(8,592,095.00)	961,806,930
SBITA assets	7,378,150	2,167,004	(2,387,864.00)	7,157,290
Lease Assets	-			
Total capital assets being depreciated/amortized	1,921,794,374	154,780,667	(10,979,959.00)	2,065,595,082
Less accumulated depreciation/amortization for:				
Buildings	14,757,008	942,341	-	15,699,349
Landfill improvements	31,851,016	560,825	-	32,411,841
Water rights	24,624,132	695,990	-	25,320,122
Infrastructure	268,397,764	25,051,053	-	293,448,817
Plant, machinery, equipment, and other improvements	343,585,537	32,906,794	(7,180,425)	369,311,906
SBITA assets	2,420,835	1,348,289	(351,457)	3,417,667
Lease Assets				
Total accumulated depreciation/amortization	685,636,292	61,505,292	(7,531,882.00)	739,609,702
Total capital assets, being depreciated/amortized, net	1,236,158,082	93,275,375	(3,448,077.00)	1,325,985,380
Business-type activities capital assets, net	$ 1,715,970,735	$ 297,758,196	$ (127,866,456.00)	$ 1,885,862,475

Depreciation and amortization expense was charged to activities of funds/functions/programs as follows:

Governmental activities:	
General government	11,618,315
Public Safety	6,061,919
Public Works	12,043,921
Parks & Recreation	3,474,320
Capital assets held by the internal service funds are charged to the various functions based upon usage	6,281,975
Total amortization and depreciation expense - governmental activities	$ 39,480,450
Business-type activities:	
Electric	$ 26,025,998
Water	13,592,921
Wastewater	14,290,677
Solid Waste	6,352,429
Airport	1,243,267
Total amortization and depreciation expense - business-type activities	$ 61,505,292

Construction commitments:

The City has several major construction/capital projects planned or in progress as of September 30, 2025. These projects are evidenced by contractual commitments with contractors and include:

Project	Spent-to-Date	Remaining Commitment
2019 Street Reconstruction - Neighborhood 2 & 6	$ 59,492,590	$ 3,727,511
Hickory Creek Road Realignment	29,775,222	27,994,270
Hickory Creek Substation Reconstruction	55,583,140	995,447
Bonnie Brae South Construction	48,519,685	5,160,465
Ray Roberts Water Treatment Plant Performance Upgrade	34,311,823	6,487,588
Pecan Creek Water Reclamation Plant Expansion to 26MGD	12,104,059	28,595,941
Bonnie Brae 2nd Arterial	16,749,928	19,990,920
Underwood Substation	19,459,500	3,926,578
FY 23/24 Transformers	17,762,603	4,818,122
Ray Roberts Water Treatment Plant Expansion 1 & 2	2,436,412	18,601,438
Regional Toll Revenue - McKinney (Formerly FM 426)	17,246,415	1,020,888
Mayhill Denton County Transit Authority Bridge	16,992,240	1,524,991
Loop 288 Property	13,652,440	3,073,722
Fire Station No 6	14,012,306	277,438
Hickory Creek Wastewater Treatment Plant	11,384,620	7,600
Milam Creek Basin Wastewater Line	3,190,691	7,275,790
	$ 372,673,674	$ 133,478,709

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

E. Interfund Receivables, Payables and Transfers

A summary of interfund receivables and payables (in thousands) at September 30, 2025, is as follows:

	Interfund Receivables:					
	Governmental Major Funds		Business-Type Major Funds			
Interfund Payables:	General Fund	Non-Major Governmental Funds	Electric	Water	Wastewater	Total
Non-Major Governmental Funds	$ 354	$ -	$ -	$ -	$ -	$ 354
Internal Service Funds	1,849	1,286	21,945	2,187	1,223	28,490
Total	$ 2,203	$ 1,286	$ 21,945	$ 2,187	$ 1,223	$ 28,844

The most significant interfund receivables and payables include the following:

Interfund receivables	Interfund payables	Amount
Electric fund	Internal service funds-materials management	$ 21,945,369
Water fund	Internal service funds-materials management	2,186,986
General fund	Internal service funds-materials management	1,849,737
Non-Major Governmental Funds	Internal service funds-materials management	1,285,663
Wastewater fund	Internal service funds-materials management	1,222,698
General fund	Non-Major Governmental Funds	353,537
	Total:	$ 28,843,990

The outstanding balances between Electric, Water, Wastewater, and General Fund related to the Materials Management Fund are a result of the cash position in the Materials Management Fund due to inventory purchases. The outstanding balance between the General Fund and the Non-Major Governmental Funds is due to reimbursement timing from outside sources.

Transfers between funds (in thousands) during the year were as follows:

	Transfers Out:									
	Governmental Major Funds			Business-Type Major Funds						
Transfers In:	General Fund	Capital Projects Fund	Non-Major Governmental Funds	Electric Fund	Water Fund	Wastewater Fund	Solid Waste	Airport Fund	Internal Service Funds	Total
Governmental Major Funds:										
General Fund	$ -	$ -	$ 8	$ -	$ -	$ -	$ -	$ -	$ -	$ 8
Debt Service Fund	-	-	-	-	-	-	-	752	-	752
Capital Projects Fund	1,561	-	13,133	-	-	-	-	-	160	14,854
Non-Major Governmental	-	-	-	1,143	565	418	-		-	2,126
Electric Fund	7	-	-	-	165	-	-	-	-	172
Water Fund	-	37	-	165	-	-	-	-	-	202
Wastewater Fund	-	-	-	-	588	-	-	-	100	688
Solid Waste Fund	-	-	79	-	-	-	-	-	78	157
Internal Service Funds	-	-	-	-	51	12	4	-	-	67
Total	$ 1,568	$ 37	$ 13,220	$ 1,308	$ 1,369	$ 430	$ 4	$ 752	$ 338	$ 19,026

The most significant transfers include the following:

Transfers from fund	Transfers to fund	Amount
Non-Major Gov't	Capital Projects	$ 13,133,291
Business-type Major Funds (Electric, Water, and Wastewater)	Non-Major Gov't – Street Improvement Fund	2,126,082
General Fund	Capital Projects	1,561,001
Business-type Major Funds - Airport	Debt Service Fund	751,656
	Total:	$ 17,572,030

Transfers from the Non-Major Governmental Fund – Street Improvement Fund and from the General Fund were to fund capital projects such as streets, building renovations, equipment, and park improvements. Transfers from Other-Special Revenue Funds (SRF) were to fund road capital projects. Transfers from the Business-type Major Funds (Electric, Water, and Wastewater) to the Non-Major Governmental Fund – Street Improvement Fund were to fund street maintenance operations in the Street Improvements Fund. Transfers from Business-type Major Funds – Airport to the Debt Service Fund were to pay for Airport-related debt payments previously paid by property taxes.

F. Other Assets

In March 2010, the City issued Combination Tax & Electric Utility System Revenue Refunding Bonds, Series 2010 with a maturity of 15 years for prepaying certain contractual obligations to TMPA. The principal amount of the bonds was $58,820,000 with a reoffering premium and other bond issuance costs of $3,835,015 for a total of $62,655,015. As the proceeds of this debt issuance were placed with Texas Municipal Power Agency (TMPA) and the City received an economic benefit over a period of years, an Other Asset was recorded in the Electric Fund Statement of Net Position in the amount of $62,655,015. In September 2017, 37.9% of the unamortized balance of these Other Assets were impaired and recorded as a GASB 62 Regulatory Asset when TMPA reduced its power generation operations to seasonal. The remaining balance of the Other Assets were impaired and recorded as a GASB 62 Regulatory Asset in September 2019 upon TMPA's notification to ERCOT of the plan to retire and decommission the Gibbons Creek generation plant. The Regulatory asset is fully amortized as of September 30, 2025. See footnote V.E. for more information on TMPA.

In February 2021, the State of Texas experienced unprecedented freezing temperatures that put pressure on the availability of electric power (the "Weather Event"). Due to the high demand for power during this period and the limited availability of the power, the purchase price for power increased dramatically during this period. These energy price increases resulting in utilities, including the Electric Fund of the City of Denton, needing to access financial reserves to make payment to ERCOT for the power purchased necessary to service their customers. Due to the unparalleled dollar amount of the purchased power, the City of Denton issued $140 million of commercial paper to provide temporary funding for immediate cash flow needs. In September 2021, the City issued $141,990,000 of revenue refunding bonds to convert the outstanding commercial paper principal plus interest to debt to be paid over a period of 30 years. The Electric Fund recorded $140,000,000 of this purchased power expense as a regulatory asset in Other Assets to be amortized over the period of 30 years, starting with fiscal year ending September 30, 2022.

Capitalized Interest-GASB Statement No. 89, "Accounting for Interest Cost incurred before the end of a Construction Period", was implemented in FY 2022 to eliminate interest associated with the construction of capital assets. As these interest costs add to the full capitalized costs associated with the plant and infrastructure assets and provide an economic benefit over a period of years, a regulatory asset was established to continue capitalized interest for the Electric Fund. The regulatory asset recorded additions totaling $6,792,340 from FY's 2022-2024 and $4,825,949 in FY 2025 with amortization occurring over the life of related assets to align with the recovery of costs through rates.

To qualify to utilize GASB 62, the following must apply:

- The regulated business-type activity's rate for regulated services provided to its customers are established by or are subject to approval of
- an independent, third-party regulator or by its own governing board empowered by statute or contract to establish rates that bind customers.
- The regulated rates are designed to recover the specific regulated business-type activity's costs of providing the regulated services.

In view of the demand for the regulated services or products and the level of competition, direct and indirect, it is reasonable to assume that rates set at levels that will recover the regulated business-type activity costs can be charged to and collected from customers. This criterion requires consideration of anticipated changes in levels of demand or competition during the recovery period for any capitalized costs.

The City of Denton qualifies to utilize GASB 62 due to:

- State and local statues empower the City of Denton City Council to establish retail rates.
- The City of Denton specific costs are recovered through City of Denton retail rates.

Current and projected customer demand support the recovery of City of Denton cost of service.

	Balance at October 1, 2024	Increases	Amortization	Balance at September 30, 2025	Years Remaining
Regulatory Assets:					
2010 TMPA Obligation	$ 2,088,510	$ -	$ 2,088,510	$ -	0
2021 Weather Event	126,006,128	-	4,782,575	121,223,553	26
Capitalized Interest	6,500,155	4,825,949	212,936	11,113,168	4-40
Total Other Assets	$ 134,594,793	$ 4,825,949	$ 7,084,021	$ 132,336,721	

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

G. Long-term Debt

Long-term liabilities transactions for the year ended September 30, 2025, are summarized as follows below and on the following pages:

	Balance at October 1, 2024	Increases	Decreases	Balance at September 30, 2025	Due Within One Year
Governmental Activities:					
General obligation bonds	$ 328,400,000	$ 51,660,000	$ 26,665,000	$ 353,395,000	$ 18,825,000
Certificates of obligation	193,855,000	31,345,000	15,610,000	209,590,000	16,135,000
Compensated absences payable	19,451,469	12,242,132	8,996,256	22,697,345	12,040,860
Claims and judgement payable	9,201,570	30,356,318	30,161,035	9,396,853	3,004,453
Net pension liability	78,842,512	-	17,272,358	61,570,154	-
Other post employment benefits	34,172,930	1,685,564	-	35,858,494	790,397
Leases liability	173,686	-	78,205	95,481	-
Right-to-use liability	5,277,849	4,559,376	-	9,837,225	4,086,021
Unamortized premium/(discounts)	38,270,941	5,481,031	4,802,741	38,949,231	4,425,002
Total governmental activities long-term liabilities	$ 707,645,957	$ 137,329,421	$ 103,585,595	$ 741,389,783	$ 59,306,733

	Balance at October 1, 2024	Increases	Decreases	Balance at September 30, 2025	Due Within One Year
Business-type Activities:					
Revenue bonds	$ 339,010,000	$ 10,135,000	$ 19,075,000	$ 330,070,000	$ 20,045,000
General obligation bonds	124,070,000	26,660,000	18,450,000	132,280,000	14,330,000
Certificates of obligation	689,255,000	201,300,000	51,190,000	839,365,000	28,670,000
Compensated absences payable	3,679,955	6,364,439	2,921,003	7,123,391	5,898,580
Net pension liability	31,964,439	-	5,639,928	26,324,511	-
Other post employment benefits	15,626,950	677,100	-	16,304,050	338,501
Notes payable	7,500,000	-	7,500,000	-	-
Right-to-use liability	4,739,302	-	1,585,662	3,153,640	2,647,909
Landfill closure/post-closure	13,145,325	1,152,911	-	14,298,236	-
Unamortized premium/(discounts)	66,772,551	14,256,333	9,207,090	71,821,794	8,528,081
Total business-type activities	1,295,763,522	260,545,783	115,568,683	1,440,740,622	80,458,071
Total long-term liabilities	$ 2,003,409,479	$ 397,875,204	$ 219,154,278	$ 2,182,130,405	$ 139,764,804

For Internal Service funds, long-term liabilities are included as part of the above totals for governmental activities. Compensated absences payables and net pension liability balances and payments are based on the assignment of an employee within a fund. Other postemployment benefits are liquidated from the Health Insurance internal service fund with the retiree subsidy amounts paid predominantly by the General Fund. Claims payable represent an estimate of self-insured claims liability outstanding in the Health Insurance and Risk Retention internal service funds as well as one possible litigation payable in the Electric Fund. Subscription-Based IT Arrangements (SBITA) and Lease liabilities represent GASB 96 and GASB 87 entries, respectively.

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

General Bonded Debt - General bonded debt at September 30, 2025, is comprised of the following:

General Obligation Bonds and Certificates of Obligation Debt	Interest Rate (%)	Issue Date	Final Maturity	Original Amount of Issue	Gross Principle Outstanding at September 30, 2025
General obligation refunding	2.0 to 3.5	2014	2034	$ 7,165,000	$ 2,130,000
General obligation refunding	3.0 to 5.0	2015	2035	36,110,000	6,265,000
General obligation refunding	3.0 to 5.0	2016	2036	27,635,000	14,010,000
General obligation refunding	3.0 to 5.0	2017	2037	27,825,000	11,360,000
General obligation	3.0 to 5.0	2018	2038	19,235,000	14,315,000
General obligation refunding	3.0 to 5.0	2019	2039	18,015,000	14,045,000
General obligation refunding	2.0 to 5.0	2020	2040	27,675,000	21,705,000
General obligation refunding	2.0 to 5.0	2020A	2031	1,415,000	905,000
General obligation	2.0 to 5.0	2021	2041	54,710,000	46,985,000
General obligation	4.0 to 5.0	2022	2042	57,805,000	50,565,000
General obligation	4.0 to 5.0	2023	2043	40,485,000	36,240,000
General obligation	4.0 to 5.0	2024	2044	85,380,000	83,210,000
General obligation	4.0 to 5.0	2025	2045	51,660,000	51,660,000
Total general obligation bonds				$ 455,115,000	$ 353,395,000
Certificates of obligation	2.0 to 5.0	2014	2034	$ 8,635,000	$ 355,000
Certificates of obligation	2.0 to 5.0	2015	2035	7,420,000	-
Certificates of obligation	3.0 to 5.0	2016	2036	7,190,000	2,325,000
Certificates of obligation	3.0 to 5.0	2017	2037	17,000,000	6,320,000
Certificates of obligation	3.0 to 5.0	2018	2038	9,555,000	4,270,000
Certificates of obligation	3.375 to 5.0	2018	2038	28,170,000	19,595,000
Certificates of obligation	3.0 to 5.0	2019	2039	9,390,000	3,510,000
Certificates of obligation	2.0 to 5.0	2020	2040	24,020,000	17,360,000
Certificates of obligation	2.0 to 5.0	2021	2041	24,735,000	18,670,000
Certificates of obligation	4.0 to 5.0	2022	2044	12,565,000	9,125,000
Certificates of obligation	4.0 to 5.0	2023	2044	31,160,000	27,270,000
Certificates of obligation	4.0 to 5.0	2024	2044	73,270,000	69,445,000
Certificates of obligation	4.0 to 5.0	2025	2045	31,345,000	31,345,000
Total certificates of obligation				284,455,000	209,590,000
Total general bonded debt				$ 739,570,000	$ 562,985,000

[These amounts do not include net unamortized premiums/ (discounts) of $38,949,231 nor net deferred gain/ (loss) on refunding of ($476,150).]

Proceeds of general obligation bonded debt are restricted to the uses for which they were approved in the bond elections or, in the case of a refunding issuance, to the uses for which the certificates of obligation were originally issued. The City Charter expressly prohibits the use of bond proceeds to fund operating expenses. The general obligations are collateralized by the full faith and credit of the City and, primarily, payable from property taxes.

In August 2025, the City issued $78,320,000 ($26,660,000 of which is included as part of business-type activities) in general obligation refunding bonds. Of this amount, $51,660,000 was issued to pay the costs of bond election capital improvements for streets, parks, and public safety projects in the Capital Projects fund.

In August 2025, the City issued $232,645,000 ($201,300,000 of which is included as part of business-type activities) in certificates of obligation. The debt was issued to pay the costs of various capital improvements in the Capital Projects Fund ($30,145,000), the Electric Fund ($42,230,000), the Water Fund ($75,435,000), the Wastewater Fund ($73,075,000), the Technology Services Fund ($1,650,000), the Solid Waste Fund ($10,560,000), and the Fleet Fund ($925,000).

In June 2025, the City issued $10,135,000 in utility system bonds, all in the Water fund. The debt was issued to acquire, construct, and equip extensions, renovation and improvements to the waterworks system, including the renovation and expansion of the Lake Ray Roberts Treatment Plant.

On September 30, 2025, the City had no general obligation bonds or certificates of obligation considered defeased but still outstanding.

Business-type Revenue Bonds – Revenue bond debt at September 30, 2025, is comprised of the following issues:

Revenue Bonds	Interest Rate (%)	Issue Date	Final Maturity	Original Amount of Issue	Gross Principle Outstanding at September 30, 2025
Utility system	3.25 to 5.0	2017	2037	$ 214,890,000	$ 163,165,000
Utility system Refunding	0.27 to 2.7	2021	2051	141,990,000	131,050,000
Utility system	5.27	2024	2028	31,395,000	25,720,000
TWDB	1.99 to 3.54	2025	2050	10,135,000	10,135,000
Total revenue bonds				$ 398,410,000	$ 330,070,000

[These amounts do not include net unamortized premiums/ (discounts) of $12,761,529.]

The revenue bonds are collateralized by the revenue of the Denton utility system funds (System) and the related interest and sinking fund. The ordinance provides that the revenue of the System is to be used first to pay operating and maintenance expenses of the System and second to establish and maintain the revenue bond funds. Any remaining revenues may then be used for any lawful purpose. The ordinance also contains provisions, which among other items restrict the issuance of additional revenue bonds unless certain financial ratios are met. Management believes the City is in compliance with all significant requirements. The interest and sinking fund had a net position balance of $23,357,305 as of September 30, 2025, and is restricted for debt service. On September 30, 2025, the City had no revenue bonds considered defeased but still outstanding.

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

Business-type General Obligation Bonds and Certificates of Obligation – General obligation bonds and certificates of obligation issued for electric, water, wastewater, and solid waste funds at September 30, 2025, is comprised of the following:

General Obligation Bonds and Certificates of Obligation Debt	Interest Rate (%)	Issue Date	Final Maturity	Original Amount of Issue	Gross Principle Outstanding at September 30, 2025
General obligation refunding	3.0 to 5.0	2014A	2025	$ 27,155,000	$ -
General obligation refunding	3.0 to 5.0	2015	2035	1,530,000	130,000
General obligation refunding	4.0 to 5.0	2015A	2026	33,945,000	325,000
General obligation refunding	3.0 to 5.0	2016	2028	1,295,000	370,000
General obligation refunding	3.0 to 5.0	2016A	2030	38,425,000	14,365,000
General obligation refunding	3.0 to 5.0	2019	2039	26,325,000	-
General obligation refunding	2.0 to 5.0	2020	2040	34,405,000	15,185,000
General obligation refunding	2.0 to 5.0	2020A	2031	12,735,000	8,120,000
General obligation refunding	4.0 to 5.0	2022	2042	13,480,000	8,315,000
General obligation refunding	4.0 to 5.0	2023	2043	32,140,000	26,560,000
General obligation refunding	4.0 to 5.0	2024	2044	32,250,000	32,250,000
General obligation refunding	4.0 to 5.0	2025	2045	26,660,000	26,660,000
Total general obligation bonds				$ 280,345,000	$ 132,280,000
Certificates of obligation	2.0 to 5.0	2014	2044	$ 80,545,000	$ 17,750,000
Certificates of obligation	2.0 to 5.0	2015	2045	85,595,000	31,900,000
Certificates of obligation	3.0 to 5.0	2016	2046	76,115,000	54,845,000
Certificates of obligation	3.0 to 5.0	2017	2047	73,800,000	53,260,000
Certificates of obligation	3.375 to 5.0	2018	2028	1,375,000	480,000
Certificates of obligation	3.0 to 5.0	2019	2049	19,365,000	15,770,000
Certificates of obligation	2.0 to 5.0	2020	2050	34,060,000	29,775,000
Certificates of obligation	2.0 to 5.0	2021	2041	72,300,000	64,295,000
Certificates of obligation	4.0 to 5.0	2022	2044	99,590,000	91,975,000
Certificates of obligation	4.0 to 5.0	2023	2044	117,980,000	112,655,000
Certificates of obligation	4.0 to 5.0	2024	2044	169,520,000	165,360,000
Certificates of obligation	4.0 to 5.0	2025	2045	201,300,000	201,300,000
Total certificates of obligation				1,031,545,000	839,365,000
Total business-type G.O./C.O. bonds				$ 1,311,890,000	$ 971,645,000

[These amounts do not include net unamortized premiums/ (discounts) of $59,060,265 nor net deferred gain/ (loss) on refunding of ($1,393,799]

Schedule of Long-term Debt Maturities

Aggregate maturities of the long-term debt (principal and interest) for the years after September 30, 2025, are shown below:

Governmental Activities:

	General Obligation		Certificates of Obligation		Total	
Fiscal Year	Principal	Interest	Principal	Interest	Principal	Interest
2026	$ 18,825,000	$ 14,422,481	$ 16,135,000	$ 8,887,906	$ 34,960,000	$ 23,310,387
2027	19,310,000	13,651,031	15,575,000	8,163,044	34,885,000	21,814,075
2028	18,700,000	12,780,600	14,980,000	7,401,294	33,680,000	20,181,894
2029	18,415,000	11,909,303	13,935,000	6,683,194	32,350,000	18,592,497
2030	19,305,000	11,030,319	12,770,000	6,028,219	32,075,000	17,058,538
2031-2035	104,185,000	42,107,772	57,715,000	22,068,985	161,900,000	64,176,757
2036-2040	98,305,000	21,382,809	49,830,000	10,929,069	148,135,000	32,311,878
2041-2045	56,350,000	4,587,113	28,650,000	2,505,588	85,000,000	7,092,701
2046-2053	-	-	-	-	-	-
Total	$ 353,395,000	$ 131,871,428	$ 209,590,000	$ 72,667,299	$ 562,985,000	$ 204,538,727

Business-Type Activities:

	General Obligation		Certificates of Obligation		Revenue		Total	
Fiscal Year	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2026	$ 14,330,000	$ 6,020,994	$ 28,670,000	$ 35,794,565	$ 20,045,000	$ 13,111,363	$ 63,045,000	$ 54,926,92
2027	16,680,000	5,324,000	26,940,000	34,758,556	20,915,000	12,446,156	64,535,000	52,528,71
2028	16,070,000	4,541,350	27,910,000	33,387,306	21,860,000	11,495,736	65,840,000	49,424,39
2029	15,710,000	3,780,200	28,890,000	31,967,306	22,860,000	10,489,530	67,460,000	46,237,03
2030	16,595,000	3,010,075	29,930,000	30,511,031	16,595,000	9,619,746	63,120,000	43,140,85
2031-2035	43,640,000	6,856,500	167,530,000	129,973,457	94,600,000	36,396,168	305,770,000	173,226,12
2036-2040	9,255,000	960,125	208,500,000	88,686,231	59,715,000	16,883,694	277,470,000	106,530,05
2041-2045	-	-	215,445,000	41,472,497	29,415,000	10,757,919	244,860,000	52,230,41
2046-2050	-	-	68,365,000	13,775,306	34,450,000	5,336,236	102,815,000	19,111,54
2051-2055	-	-	37,185,000	2,967,663	9,615,000	783,564	46,800,000	$ 3,751,22
Total	$ 132,280,000	$ 30,493,244	$ 839,365,000	$ 443,293,918	$ 330,070,000	$ 127,320,112	$ 1,301,715,000	$ 601,107,27

[These amounts do not include net unamortized premiums/ (discounts) of $110,772,919 nor net deferred gain/ (loss) on refunding of ($1,869,949).]

Bonds Authorized and Unissued

General obligation bonds authorized but unissued as of September 30, 2025, amounted to $213,625,000. When issued, the proceeds will be allocated to the applicable street, drainage, public safety, affordable housing, library, and parks projects.

All bonds were issued publicly through negotiated or competitive terms. There is a direct placement of $10,135,000 through Texas Water Development Board. There is no acceleration of maturity of the bonds in the event of default, and the City has never defaulted on the payment of bonds.

H. Landfill Closure and Post-Closure Cost

State and federal laws and regulations require the City to place a final cover on its Mayhill Road landfill site upon closure and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post-closure care costs will be paid only upon anticipated closure, the City reports a portion of these costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. Based on an updated model created by a 2022 engineering study, total landfill closure and post-closure cost as of September 30, 2025, was $58,239,177. The $14,298,236 reported as landfill closure and post-closure care liability as of September 30, 2025, is a $1,152,911 increase from the $13,145,325 liability reported on September 30, 2024. This liability represents the cumulative amount incurred to date based on the use of 24.55% of the estimated capacity of the entire landfill at September 30, 2025. The change in estimated capacity decreased due to the remaining life increasing from updated Permit 1590B approval in August 2021.

Based on this estimate, the remaining potential estimated liability for closure and post-closure care of the entire landfill $43,940,941. The City will recognize the remaining estimated cost of closure and post-closure care as the remaining capacity is filled. These amounts are based on what it would cost to perform closure and post-closure care in 2025. Actual cost may fluctuate due to inflation, changes in technology, or changes in regulations. The landfill has a remaining life of 31 years, and the City expects to close the landfill in fiscal year 2056.

The solid waste fund has provided for a reservation and designation of cash and investments of $16,943,647 at September 30, 2025, and anticipates increasing the reserve in future periods as the closure and post-closure activities are carried out.

I. Leases

The City is a lessor in various non-cancelable leases of land, building, and equipment. During fiscal year 2025, the City recognized $255,461 in lease revenue and $50,602 in interest revenue.

As of September 30, 2025, the City's lease receivable balance of $3,187,515 was comprised of the following:

Governmental Activities	
One equipment lease with rents received totaling in $159,652 during the fiscal year 2025, at an interest rate of .582%, with a remaining lease term of 2 years	159,652
Four land leases with rents received totaling $858,211 during the fiscal year 2025, at an interest rate of 1.882% with remaining lease terms of 43 years	858,211
Business-type Activities	
Various land leases with rents received totaling $141,222 during the fiscal year 2025, at an interest rate of 1.473% to 3.053% to with remaining lease terms ranging from 10 to 45 years	2,169,652
	$ 3,187,515

The lease receivables are expected to be received in subsequent years as follows:

Fiscal Year	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2026	$ 114,464	$ 17,556	$ 176,181	$ 32,558
2027	67,620	16,966	176,181	30,041
2028	34,160	16,718	176,181	27,477
2029	36,437	16,484	176,181	24,865
2030	36,644	16,220	176,181	22,203
2031-2035	106,562	79,305	859,064	69,683
2036-2040	115,800	76,473	175,603	30,610
2041-2044	506,177	262,215	254,080	19,198
	$ 1,017,864	$ 501,937	$ 2,169,652	$ 256,635

The City has various aeronautical leasing agreements for land leases (54 agreements, 5 Licenses, 72 buildings) and hangar space (27) at Denton Enterprise Airport. These qualify as regulated leases and are not included in the measurement of lease receivables, in accordance with the requirements of GASB Statement No. 87. The City recognized $1,001,746 (Land Lease) and $185,100 (Hangar Lease) in lease revenue during fiscal year 2025 for these leases, which have CPI increases that range from 1-5 years, dependent on the lease terms ranging from 1-30 years, with some leases having additional options that range from 5-20 years. As of October 1, 2025, the minimum payments expected to be received over the next five years is shown in the table below:

Fiscal Year	Amount
2026	$ 1,231,598
2027	1,262,552
2028	1,344,385
2029	1,377,224
2030	1,418,541
	$ 6,407,607

Additionally, on January 1, 2023, City of Denton, TX entered a 48-month lease as Lessee for the use of Employee Health Clinic. An initial lease liability was recorded in the amount of $300,845. As of September 30, 2025, the value of the lease liability is $95,481. The City of Denton, TX is required to make monthly fixed payments of $6,018. The lease has an interest rate of 0.2130%. The value of the right to use asset as of September 30, 2025, of $300,845 with accumulated amortization of $205,364. The City has one extension option(s), each for 12 months.

J. Subscription-Based Information Technology Agreements (SBITA)

The City entered into SBITA contracts involving various desktop and server software, electronic workflows and document management software along with other departmental specific operations management systems to assist in operations. As of September 30, 2025, all SBITA have fixed, periodic, payments over the subscription periods, which range from 1 to 4 years and expire no later than fiscal year 2029. In addition, some of these agreements are cancelable with 30 or 60-day notice. There are no commitments or

outflows of resources related to SBITA that are not yet effective. The short-term portion, due within one year, totals $4,086,021 for Governmental Funds and $2,647,909 for Business-type Funds.

The future subscription payments as of September 30, 2025, are as follows:

	Governmental Activities		Business-Type Activities	
Fiscal Year	Principal	Interest	Principal	Interest
2026	$ 4,086,021	$130,644	$ 2,647,909	$ 46,850
2027	1,917,068	130,644	168,577	46,850
2028	1,917,068	130,644	168,577	46,850
2029	1,917,068	130,644	168,577	46,850
	$ 9,837,225	$522,576	$ 3,153,640	$187,400

V. OTHER INFORMATION

A. Pension Plans

Employee Retirement Plans

The City of Denton participates in two pension plans; Texas Municipal Retirement System (TMRS), an agent multiple-employer, traditional, joint contributory, hybrid, defined benefit pension plan; and the Denton Firemen's Relief and Retirement Fund (FRRF), a single employer, contributory, defined benefit plan. Both plans are described in detail below. Aggregate amounts for the two pension plans are as follows:

	TMRS	FRRF	Total
Pension liability	$ 726,035,642	$ 177,904,171	$ 903,939,813
Pension assets	648,100,639	167,944,509	816,045,148
Net pension liability	$ 77,935,003	$ 9,959,662	$ 87,894,665
Deferred outflows of resources	$ 30,143,664	$ 13,428,323	$ 43,571,987
Deferred inflows of resources	9,074,675	636,846	9,711,521
Pension expense	27,338,796	3,431,009	30,769,805

Texas Municipal Retirement Plan

Plan Description

The City of Denton participates as one of 901 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of the System with a six-member, Governor-appointed board of trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available annual comprehensive financial report obtainable at www.tmrs.com. All eligible employees of the city are required to participate in TMRS.

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the employee's benefit is calculated based on the sum of the employee's contributions with interest, and the city-financed monetary credits with interest. Employees may choose to receive their

retirement benefit in one of seven payment options. Employees may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the employee's deposits and interest.

Upon retirement, the employee's retirement benefits are calculated based on the sum of the employee's contributions, with interest, and the City-financed monetary credits, with interest. City-financed monetary credits are composed of three sources: prior service credits, current service credits, and updated service credits.

- Prior service credit, granted by each city joining TMRS, is a monetary credit equal to the accumulated value of the percentage of prior service credit selected by the City, multiplied by an employee's contributions that would have been made, based on the average salary prior to TMRS participation, for the number of months the employee was employed by the City before joining TMRS, accruing 3% annual interest and including the matching ratio adopted by the City.
- Current Service Credit is a monetary credit for service performed by an employee after the City joined TMRS and is based on a percentage (200%) of the employee's total contributions and interest credits (commonly referred to as the City's matching ratio). Each participating city designates the rate the employee contributions (7% for the City) and interest is credited on contribution balances annually at a guaranteed minimum 5% rate. Any change in the matching ratio would be applied prospectively.
- Updated Service Credits (USC) is an optional monetary credit granted on an annually repeated basis by the City, and it may increase an employee's monthly retirement benefit. In calculating USC, TMRS looks at the changes in the employees' salary over their career and any changes the City has made to its TMRS plan, such as the employee contribution rate or the City's matching ratio. Although USC may increase the employee's retirement benefit, USC does not affect the amount of contributions in an employee's account or the amount an employee will receive if they refund.

The plan provisions also include an annually repeating basis cost of living adjustments for retirees equal to 70% of the change in the consumer price index. If an employee terminates employment and refunds their account, the employee will receive their total contributions, plus credited interest. The employee will not receive any of the city-financed monetary credits. An employee can retire at ages 60 and above with 5 or more years of service or with 20 years of service regardless of age. A member is vested after five years.

Employees Covered by Benefit Terms

At the December 31, 2024, valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	957
Inactive employees entitled to but not yet receiving benefits	975
Active employees	1,520
Total	3,452

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the City Council. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The City's contribution rate is based on the liabilities created from the benefit plan options selected by the City and any changes in benefits or actual experience over time.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 18.15% and 18.94% in calendar years 2024 and 2025, respectively. The City's contributions to TMRS for the year ended September 30, 2025, were $25,761,959 and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2024, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The Total Pension Liability in December 31, 2024 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	2.75% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members are based on the PUB (10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the gender-distinct 2021 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate are applied for males and females, respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014, to December 31, 2018. They were adopted in 2019 and first used in December 31, 2019, actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2024 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35%	7.1%
Core Fixed Income	6%	5.0%
Non-Core Fixed Income	6%	6.8%
Hedge Funds	5%	6.4%
Private Equity	13%	8.5%
Private Debt	13%	8.2%
Real Estate	12%	6.7%
Infrastructure	6%	6.0%
Other Private Markets	4%	7.3%
Total	100%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2023	$ 678,975,184	$ 583,428,852	$ 95,546,332
Changes for the year:			
Service cost	25,133,454	-	25,133,454
Interest	45,632,055	-	45,632,055
Change of benefit terms	-	-	-
Difference between expected and actual experience	7,317,890	-	7,317,890
Changes of assumptions	-	-	-
Contributions - employer	-	25,761,959	(25,761,959)
Contributions - employee	-	9,666,319	(9,666,319)
Net investment income	-	60,664,328	(60,664,328)
Benefit payments, including refunds of employee contributions	(31,022,941)	(31,022,941)	-
Administrative expense	-	(388,785)	388,785
Other changes	-	(9,093)	9,093
Net changes	47,060,458	64,671,787	(17,611,329)
Balance at 12/31/2024	$ 726,035,642	$ 648,100,639	$ 77,935,003

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percent-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Current Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	$ 182,263,273	$ 77,935,003	$ (7,355,448)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in the Schedule of Change in Fiduciary Net Position, by Participating City, separately issued TMRS financial report. That report may be obtained on the Internet at www.tmrs.com.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2025, the City recognized pension expense of $27,338,796. This amount is included as part of personal services expenses.

At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to TMRS pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual investment earnings	$ -	$ 6,852,939
Contributions subsequent to the measurement date	19,343,268	-
Differences between expected and actual economic experience	10,800,396	-
Difference in assumption changes	-	2,221,736
Total	$ 30,143,664	$ 9,074,675

As reported as deferred outflows of resources, $19,343,268 is related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the City's fiscal year ending September 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense (income) as follows:

For the Year Ended September 30,	Net Deferred Outflows/Inflows)
2026	$ 4,683,041
2027	8,712,507
2028	(7,521,397)
2029	(4,148,430)
Total	$ 1,725,721

Denton Firemen's Relief and Retirement Plan

Plan Description

The City contributes to the retirement plan for firefighters in the Denton Fire Department known as the Denton Firemen's Relief and Retirement Fund (the Fund). The Fund is a single employer, contributory, defined benefit plan. The benefit provisions of the Fund are authorized by the Texas Local Fire Fighters' Retirement Act (TLFFRA). TLFFRA provides the authority and procedure to amend benefit provisions. The plan is administered by the Board of Trustees of the Denton Firemen's Relief and Retirement Fund. The City does not have access to nor can it utilize assets within the retirement plan trust. The Fund issues a stand-alone report pursuant to GASB Statement No. 67, which may be obtained by writing the Denton Firemen's Relief and Retirement Fund at P.O. Box 2375, Denton, Texas 76202. See that report for all information about the plan fiduciary net position.

Benefits Provided

Firefighters in the Denton Fire Department are covered by the Denton Firemen's Relief and Retirement Fund which provides service retirement, death, disability, and withdrawal benefits. These benefits are fully vested after 20 years of credited service. Firefighters may retire at age 50 with 20 years of service. A partially vested benefit is provided for firefighters who terminate employment with at least 10 but less than 20 years of service. If a terminated firefighter has a partially vested benefit, the firefighter may retire starting on the date they would have both completed 20 years of service if they had remained a Denton firefighter and attained age 50. The present plan provides a monthly normal service retirement benefit, payable in a Joint and Two-Thirds to Spouse form of annuity, equal to 2.59% of Highest 36-Month Average Salary for each year of service.

A retiring firefighter who is at least age 52 with at least 22 years of service has the option to elect the Retroactive Deferred Retirement Option Plan (RETRO DROP) which will provide a lump sum benefit and a reduced monthly benefit. The reduced monthly benefit is based on the service and Highest 36-Month Average Salary as if the firefighter had terminated employment on their selected RETRO DROP benefit calculation date, which is no earlier than the later of the date the firefighter meets the age 52 and 22 years of service requirements and the date four years prior to the date the firefighter actually retires. Upon retirement, the employee will receive, in addition to the monthly retirement benefit, a lump sum equal to the sum of (1) the amount of monthly contributions the member has made to the Fund after the RETRO DROP benefit calculation date plus (2) the total of the monthly retirement benefits the member would have received between the RETRO DROP benefit calculation date and the date retired under the plan. There are no account balances. The lump sum is calculated at the time of retirement and distributed as soon as administratively possible.

There is no provision for automatic postretirement benefit increases. The Fund has the authority to provide, and has periodically in the past provided, ad hoc post-retirement benefit increases.

Employees Covered by Benefit Terms

In the December 31, 2023, actuarial valuation, the following numbers of members were covered by the Fund:

Inactive employees or beneficiaries currently receiving benefits	96
Inactive employees entitled to but not yet receiving benefits	8
Active employees	236
Total	340

Contributions

The contribution provisions of the Fund are authorized by TLFFRA. TLFFRA provides the authority and procedure to change the amount of contributions determined as a percentage of pay by each firefighter and a percentage of payroll by the City.

The contribution policy of the Denton Firemen's Relief and Retirement Fund requires contributions equal to 12.6% of pay by the firefighters, the rate elected by the firefighters according to TLFFRA. The City began contributing in December 2017 according to a new City funding policy. The ordinance defining it includes an actuarially determined contribution rate over a closed 25-year amortization period, a contribution rate of 18.5% for several years, a minimum rate standard, and City review and approval of each actuarial valuation. December 31, 2023, actuarial valuation includes the assumption that the City contribution rate will be 18.5% over the unfunded liability amortization period. The costs of administering the plan are paid from the Fund assets. The City's contributions to the Fund for the year ended September 30, 2025, were $6,136,743.

Ultimately, the funding policy also depends upon the total return of the Fund's assets, which varies from year to year. Investment policy decisions are established and maintained by the board of trustees. For the calendar year ending December 31, 2024, the money-weighted rate of return on pension plan investments was 8.61%. This measurement of the investment performance is net of investment-related expenses, reflecting the effect of the timing of the contributions received and the benefits paid during the year.

While the contribution requirements are not actuarially determined, state law requires that each change in plan benefits adopted by the Fund must first be approved by an eligible actuary, certifying the contribution commitment by the firefighters and the assumed city contribution rate together provide an adequate contribution arrangement. Using the entry age actuarial cost method, the plan's normal cost contribution rate is determined as a percentage of payroll. The excess of the total contribution rate over the normal cost contribution rate is used to amortize the plan's unfunded actuarial accrued liability (UAAL). The number of years needed to amortize the plan's UAAL is actuarially determined using an open, level percentage of payroll method.

Net Pension Liability

The City of Denton's net pension liability was measured as of December 31, 2024, and the total pension liability used to calculate the net pension liability was determined based actuarial valuation as of December 31, 2023, and rolled forward to December 31, 2024.

Total pension liability	$ 177,904,171
Plan fiduciary net position	167,944,509
City's net pension liability	$ 9,959,662
Plan fiduciary net position as a percentage of the total pension liability	94.4%

Actuarial Assumptions

The total pension liability in December 31, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.00%, plus promotion, step and longevity increases that vary by service
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Mortality rates were based on the PubS-2010 (public safety) total dataset mortality tables employees and for retirees (sex distinct), projected for mortality improvement generationally using the projection scale MP-2019.

The long-term expected rate of return on pension plan investments is reviewed for each biennial actuarial valuation and was determined using a building-block method in which expected future net real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These components are combined to produce the long-term expected rate of return by weighting the expected future net real rates of return by the target asset allocation percentage (currently resulting in 4.96%) and by adding expected inflation (2.5%). In addition, the final 6.75% assumption was selected by rounding down and thereby reflects a reduction of 0.71% for adverse deviation.

The target allocation and expected arithmetic net real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Equities		
Large Cap Domestic	40.0%	6.00%
Small/Mid Cap Domestic	10.0%	6.50%
International Developed	10.0%	6.50%
Alternatives		
Master Limited Partnerships	8.0%	6.50%
Real Estate	15.0%	4.00%
Fixed Income	15.0%	1.00%
Cash	2.0%	0.00%
Total	100.0%	
Weighted Average		4.96%

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. No projection of cash flows was used to determine the discount rate because December 31, 2023, actuarial valuation showed expected contributions would pay the normal cost and amortize the unfunded actuarial accrued liability (UAAL) in seven years. Because of the seven-year amortization period of the UAAL, the pension plan's fiduciary net position is expected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments of 6.75% was applied to all periods of projected benefit payments as the discount rate to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City of Denton, calculated using the discount rate of 6.75%, as well as what the city's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Current Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	$ 32,931,528	$ 9,959,662	$ (9,155,259)

Pension Plan Fiduciary Net Position

The plan fiduciary net position reported above is the same as reported by the Fund. Detailed information about the plan fiduciary net position is available in the Fund's separately issued audited financial statements, which are reported using the economic resources measurement focus and the accrual basis of accounting in

conformity with accounting principles generally accepted in the United States of America. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Investments are reported at fair value, the price that would be recognized to sell an asset in an orderly transaction between market participants at the measurement date.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2024	$ 167,333,614	$ 152,072,995	$ 15,260,619
Changes for the year:			
Service cost	6,063,143	-	6,063,143
Interest	11,469,317	-	11,469,317
Change of benefit terms	-	-	-
Difference between expected	-		-
and actual experience	-	-	-
Contributions - employer	-	5,846,904	(5,846,904)
Contributions - employee	-	3,889,705	(3,889,705)
Net investment income	-	13,206,709	(13,206,709)
Benefit payments, including refunds			
of employee contributions	(6,961,903)	(6,961,903)	-
Administrative expense	-	(109,901)	109,901
Net changes	10,570,557	15,871,514	(5,300,957)
Balance at 12/31/2025	$ 177,904,171	$ 167,944,509	$ 9,959,662

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2025, the City recognized a pension expense of $3,431,009. Amounts recognized in the fiscal year represent changes between the current and prior year measurement dates. On September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to the Fund from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual investment earnings	$ -	$ 636,846
Contributions subsequent to the measurement date	4,478,547	-
Differences between expected and actual economic experience	7,682,485	-
Difference in assumption changes	1,267,291	-
Total	$ 13,428,323	$ 636,846

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of $4,478,547 will be recognized as a reduction of the net pension liability for the measurement year ending December 31, 2025, and the City's fiscal year ending September 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense (income) as follows:

For the Year Ended September 30,	Net Deferred Outflows/(Inflows)
2026	$ 1,065,863
2027	3,645,280
2028	295,193
2029	734,679
2030	1,048,277
Thereafter	1,523,638
Total	$ 8,312,930

B. Post-employment Benefits Other than Pensions (OPEB)

The City of Denton provides for two post-employment benefit (OPEB) plans; one provides for post-employment medical care through a single-employer defined benefit medical plan (Medical OPEB), and the other is the Texas Municipal Retirement System Supplemental Death Benefits Fund (TMRS SDBF), a single-employer defined benefit OPEB plan. Both plans are described in detail below.

Aggregate amounts for the two OPEB plans are as follows:

	Medical OPEB	TMRS SDBF	Total
OPEB liability	$ 46,919,770	$ 4,113,881	$ 51,033,651
OPEB assets	-	-	-
Total OPEB liability	$ 46,919,770	$ 4,113,881	$ 51,033,651
Deferred outflows of resources	$ 6,270,276	$ 648,252	$ 6,918,528
Deferred inflows of resources	(11,008,086)	(1,202,444)	(12,210,530)
OPEB expense	3,717,424	183,507	3,900,931

Medical Benefits

Plan Description

The City of Denton provides post-employment medical care (OPEB) for retired employees through a single employer defined benefit medical plan. The plan provides medical benefits for eligible retirees, their spouses, and dependents through the City's group health insurance plans, which covers both active and retired members. The benefits, benefit levels, and contribution rates are recommended annually by the City management as part of the budget process. Any changes in rate subsidies for retirees are approved by the City Council. Since an irrevocable trust has not been established, the plan is not accounted for as a trust fund. The plan does not issue a separate financial report.

Benefits Provided

The City provides post-employment medical, dental, and vision care benefits to its retirees. To be eligible for benefits, an employee must qualify for retirement under the Texas Municipal Retirement System or the Denton Firemen's Relief and Retirement Plan. Retirees must make a one-time irrevocable decision to choose

benefits at the time of retirement, after that their eligibility for the benefits ceases. However, retirees can move between plans and can add and drop dependents based on qualifying events.

All medical care benefits are provided through the City's self-insured health plan. The benefit levels are the same as those afforded to active employees.

Employees Covered by the Benefit Terms

In the December 31, 2024, actuarial valuation, the following number of employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	247
Active employees	1,689
Total	1,936

Funding Policy

The plan premium rates are recommended annually by City management and approved by the City Council as part of the annual budget. The retiree's contribution is the full amount of the actuarially determined blended premium rate less a subsidy dependent upon years of service at retirement. By providing retirees with access to the City's healthcare plans based on the same rates it charges to active employees, the City is in effect providing a subsidy to retirees. This implied subsidy exists because, on average, retiree health care costs are higher than active employee healthcare costs. By not contributing anything toward this plan in advance, the City employs a pay-as-you-go method through paying the higher rate for active employees each year. The City contributes $40 per month for each five-year increment of service, up to $200 per month, toward the cost of retiree coverage. The full cost for dental and vision is paid by the retiree. Retirees are required to enroll in Medicare Part B once eligible (age 65) and are moved into a fully insured Medicare Supplement plan at that time. The same City contribution level applies to the supplement.

Medical OPEB Liability

The City's medical OPEB liability of $46,919,770 was measured as of December 31, 2024, the same date as the actuarial valuation.

Actuarial Methods and Assumptions

The medical OPEB liability in the December 31, 2024, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement date, unless otherwise specified.

Significant method and assumptions used for this fiscal year valuation were as follows:

	Actuarial Assumptions
Valuation date	December 31,2023
Actuarial cost method	Individual Entry-Age Normal Method
Discount Rate	4.05% as of December 31, 2022 3.77% as of December 31, 2023 4.08% as of December 31, 2024
Inflation rate	2.50% per annum
Projected salary increases	3.60% to 11.85% for TMRS, including inflation 3.00% to 9.18% for Fire, including inflation
Healthcare trend rates	Initial rate of 7.20% declining to an ultimate rate of 4.25% after 15 years
Mortality	**TMRS: For** healthy retirees, the gender-distinct 2019 Municipal Retirees of Texas mortality tables are used. The rates are projected on a fully generational basis using the ultimate mortality improvement rates in the MP-2021 table to account for future mortality improvements. **Firefighters:** The gender-distinct PubS-2010 (safety employees) total data set mortality are used. The rates are projected on a fully generational basis using the projection scale MP-2019.
Participation Rates	65% for employees retiring at age 65 or older; 45% for employees retiring between the ages of 50 and 64; 5% for employees retiring between the ages of 45 and 49; 0% for employees retiring before the age of 45.

Changes in the Medical OPEB Liability

	Total Medical OPEB Liability
Balance at 12/31/2023	$ 45,653,463
Changes for the year:	
Service cost	2,882,929
Interest	1,740,446
Difference between expected and actual experience	(105,456)
Changes of assumptions	(1,393,130)
Benefit payments	(1,858,482)
Net changes	1,266,307
Balance at 12/31/2024	$ 46,919,770

Total OPEB liability as a percentage of covered payroll was 26.86%.

Sensitivity of the Medical OPEB Liability to Changes in the Discount Rate

The following schedule shows the impact of the medical OPEB liability if the discount rate used was 1% less than (3.08%) and 1% greater than (4.08%) the discount rate that was used (5.08%) in measuring the medical OPEB liability:

	1% Decrease (3.08%)	Current Discount Rate (4.08%)	1% Increase (5.08%)
Total medical OPEB liability	$ 51,619,415	$ 46,919,770	$ 42,780,452

Sensitivity of the Medical OPEB Liability to Changes in the Healthcare Cost Trend Rate Assumption

The following schedule shows the impact of the medical OPEB liability if the healthcare trend cost rate used was 1% less or 1% more than the healthcare cost trend rate that was used in measuring the medical OPEB liability:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Total medical OPEB liability	$ 42,999,140	$ 46,919,770	$ 51,543,954

Medical OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Medical OPEB

For the year ended September 30, 2025, the City recognized medical OPEB expense of $3,717,424. At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to medical OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 143,622	$ 2,032,442
Changes in actuarial assumptions	4,606,710	8,975,644
Contributions subsequent to the measurement date	1,519,944	-
Totals	$ 6,270,276	$ 11,008,086

Deferred outflows of resources related to OPEB contributions subsequent to the measurement date ($1,519,944) will be recognized as a reduction of the medical OPEB liability for the City's fiscal year ending September 30, 2026. Other amounts reported as deferred outflows of resources related to the medical OPEB will be recognized in OPEB expense as follows:

Year Ending September 30,	Net Deferred Outflows/(Inflows)
2026	$ (913,744)
2027	(1,291,494)
2028	(925,126)
2029	(977,147)
2030	(1,319,674)
Thereafter	(992,569)
Total	$ (6,257,754)

TMRS Supplemental Death Benefit Fund

Plan Description

The City of Denton voluntarily participates in the Texas Municipal Retirement System Supplemental Death Benefits Fund (TMRS SDBF). The SDBF is a defined benefit group-term life insurance Other Postemployment Benefit (OPEB) plan as defined by GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. It is established and administered in accordance with the TMRS Act identically to the City's pension plan.

Benefits Provided

The SDBF provides group-term life insurance to City employees who are active members in TMRS, including or not including retirees. The City Council opted into this system via an ordinance, and may terminate coverage under, and discontinue participation in, the SDBF by adopting an ordinance before November 1st of any year to be effective the following January 1st.

Payments from this fund are similar to group-term life insurance benefits and are paid to the designated beneficiaries upon the receipt of an approved application for payment. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings for the 12-month period preceding the month of death). The death benefit for retirees is considered an "other postemployment benefit" (OPEB) and is a fixed amount of $7,500. As the SDBF covers both active and retiree participants with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan.

Employees Covered by the Benefit Terms

In the December 31, 2024 actuarial valuation, the following number of employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	732
Inactive employees entitled to but not yet receiving benefits	267
Active employees	1,520
Total	2,519

Contributions

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. For FY 2024 and FY 2025 the contribution was 0.28% and 0.23% respectively, of which 0.10% represented the retiree-only portion for each year, as a percentage of annual covered payroll. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to ensure that adequate resources are available to meet all the death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers. The City's contribution to the SDBF for two years ended September 30, 2025, and 2024 were $399,190 and $377,550 respectively, representing contributions for both active and retiree coverage, which equaled the required contribution each year.

Actuarial Methods and Assumptions

The SDBF OPEB liability in the December 31, 2024, actuarial valuation was determined using the following actuarial assumptions:

	12/31/2024
Inflation rate	2.50% per annum
Discount rate	4.08%
Actuarial cost method	Entry Age Normal Method
Projected salary increases	3.60% to 11.85% including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the following:

Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates are projected on a fully generational basis by scale

MP-2021 (with immediate convergence) to account for future mortality improvements. For disabled annuitants, the gender-distinct 2019 Municipal Retirees of Texas mortality tables are used with a 4-year set forward for males and a 3-year set forward for females. In addition, a 3.5% and 3% minimum mortality rate is applied to reflect the impairment for younger members who became disabled for males and females, respectively. The rates are projected on a fully generational basis by scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the floor. Administrative expenses for the SDBF are paid through the TMRS Pension Trust Fund and are wholly accounted for under the provisions of GASB Statement No. 68.

The actuarial assumptions used in the December 31, 2024, valuation were based on the results of an actuarial experience study for the period ending December 31, 2022.

Discount Rate

The SDBF program is treated as an unfunded OPEB plan because the SDBF trust covers both actives and retirees, and the assets are not segregated for these groups. As such, a single discount rate of 3.08% was used to measure the SDBF OPEB Liability. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The source of the municipal bond rate was fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of December 31, 2024.

Sensitivity of the SDBF OPEB Liability to Changes in the Discount Rate

The following schedule shows the impact of the SDBF OPEB liability if the discount rate used was 1% less than (4.08%) and 1% greater than (4.08%) the discount rate that was used (5.08%) in measuring the medical OPEB liability:

	1% Decrease (3.08%)	Current Discount Rate (4.08%)	1% Increase (5.08%)
Total SDBF OPEB liability	$ 4,917,775	$ 4,113,881	$ 3,487,733

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources Related to OPEBs

On September 30, 2025, the City reported a liability of $4,113,881 for its Total SDBF OPEB liability. The total SDBF liability was determined by an actuarial valuation as of December 31, 2024. For the year ended September 30, 2025, the City recognized SDBF OPEB expense of $183,507. There were no changes of benefit terms that affected measurement of the Total SDBF Liability during the measurement period.

Changes in the SDBF OPEB Liability

	Total SDBF OPEB Liability
Balance at 12/31/2023	$ 4,146,417
Changes for the year:	
Service cost	179,426
Interest	157,100
Difference between expected and actual experience	(3,170)
Changes of assumptions	(227,872)
Benefit payments	(138,020)
Net changes	(32,536)
Balance at 12/31/2024	$ 4,113,881

Total OPEB liability as a percentage of covered payroll was 2.98%.

At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to other SDBF post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 42,184	$ 58,959
Changes in actuarial assumptions	315,634	1,143,485
Contributions subsequent to the measurement date	290,434	-
Totals	$ 648,252	$ 1,202,444

Other amounts reported as deferred outflows of resources related to SDBF OPEB will be recognized in OPEB expense as follows:

Year Ending September 30	Net Deferred Outflows/(Inflows)
2026	$ (215.156)
2027	(322,718)
2028	(268,453)
2029	(15,787)
2030	(22,512)
Total	$ (844,626)

C. Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. For the calendar years 2024 and 2025 the plan, available to all permanent City employees, permitted them to defer, until future years, up to $23,000 and $23,500 respectively. Employees who are age 50 or older may contribute an additional amount of $7,500, the total not to exceed $31,000 in 2025. Employees who are within three years of retirement eligibility may elect to participate in a catch-up provision allowed by Section 457, which has an annual maximum contribution amount of $46,000 in 2024 and $47,000 in 2025. The withdrawal of deferred compensation funds is only available to employees by loan, termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are, until paid or made available to the employee or other beneficiary, solely the property and rights of the employees. Accordingly, the assets and associated liability of the plan are not included in the City's financial statements.

It is the opinion of the City's legal counsel that the City has no liability for losses under the plan.

D. Self-insurance Plan

The City has established a self-insurance plan for liability and workers' compensation claims in the Risk Retention Fund. Accrued claims payable include provisions for claims reported and claims incurred but not reported. The provision for reported claims is determined by estimating the amount which will ultimately be

paid to each claimant. The provision for claims incurred but not yet reported is estimated based on actuarial studies.

It is the policy of the City of Denton not to purchase commercial insurance for workers' compensation claims. Commercial liability insurance coverage is purchased for general liability, aviation ground operations liability, auto liability and physical damage, public officials' liability, professional liability for EMT operations, employment practices liability, law enforcement professional liability, cyber, and commercial crime (employee theft and dishonesty).

Additionally, excess insurance is purchased for general liability, flood (for specific properties), and workers' compensation exposures. The City reports liabilities when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated to meet the deductible for the policy. Liabilities include an amount for claims that have been incurred but not reported. Because actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount.

In January 2008, the City started a self-insured group employee health insurance plan. Claims are paid from the Health Insurance Fund, which has an annually negotiated stop loss provision.

The City's costs associated with the self-insurance plans are interfund transactions. Accordingly, they are treated as operating revenues of the Internal Service Risk Retention Fund and Health Insurance Fund and operating expenditures (expenses) of the other funds and employee payroll deductions.

Claims liabilities are re-evaluated periodically to take into consideration the settlement of claims, new claims, and other factors. As of September 30, 2025, the estimated value of these liabilities was $9,396,852.

Changes in balances of claims liabilities during fiscal years 2024 and 2025 were as shown as follows:

	Claims Liability Beginning of Fiscal Year	Claims and Change in Estimates	Claim Payments	Claims Liability End of Fiscal Year
Worker's Compensation				
2025	$3,588,606	$1,682,200	$1,082,761	$4,188,045
2024	$3,052,113	$1,656,528	$1,120,035	$3,588,606
General Liability				
2025	$2,265,977	$ 868,734	$ 109,011	$3,025,700
2024	$1,802,160	$ 842,957	$ 379,140	$2,265,977
Health Insurance				
2025	$3,346,987	$27,805,384	$28,969,263	$2,183,108
2024	$3,951,994	$27,455,602	$28,060,609	$3,346,987

On September 30, 2025, the City of Denton had a negative unrestricted net position of $5,728,618 in the Risk Retention Fund and an additional positive net position of $791,056 in the Health Insurance Fund for payment of claims, both in addition to the liability balances recorded. There were no significant reductions in insurance coverage from coverage in the prior year, and the amount of settlements did not exceed insurance coverage in the current year or in any of the past three fiscal years.

E. Commitments and Contingencies

Agreement with TMPA

In 1976, the City, along with the cities of Bryan, Greenville, and Garland, Texas (the Cities) entered into a Power Sales Contract with the Texas Municipal Power Agency (TMPA). TMPA was created through concurrent ordinances of the Cities and is governed by a Board of Directors consisting of eight members, two appointed by the governing body of each city. Under the terms of the agreement, TMPA agreed to construct or acquire electric generating plants to supply energy and power to the Cities for a period of not less than 35 years. The Cities in turn agreed to purchase all future power and energy requirements in excess of the amounts generated by their systems from TMPA at prices intended to cover operating costs and retirement of debt. In the event that revenues were insufficient to cover all costs and retire the outstanding debt, each of the cities guaranteed a portion of the unpaid debt based, generally, upon the pro rata share.

TMPA, a municipal corporation, is governed by a Board of Directors consisting of eight members. The governing body of each of the four Cities appoints two members to the Board. An affirmative vote of five Directors, plus a weighted majority vote based on the respective energy usage of the Cities, is required for major decisions.

The City pays TMPA a pro-rated monthly charge based on the City's contractual portion of TMPA's annual fixed operating costs and debt service payments, which is currently 21.3%. As of September 30, 2025, total TMPA long-term debt outstanding was approximately $226,534,000, all of which was transmission debt and has no effect on the term of the contract. All outstanding generation debt was paid off on September 1, 2018.

Effective September 1, 2016, TMPA and the Member Cities entered into a Joint Operating Agreement (JOA). In general, the purposes of the JOA include: (i) funding TMPA operations such as mine reclamation, transmission service, and plant decommissioning following expiration of the Power Sales Contract (PSC); (ii) subject to certain exceptions, requiring Member City approval for the issuance of new debt, the execution of certain significant contracts, and the sale of property exceeding $10 million in value; (iii) specifying provisions for determining how costs of TMPA and proceeds from the sale of assets are to be allocated among the Member Cities; (iv) providing for the establishment by TMPA of reserve funds for the decommissioning of the plant and the indemnification of TMPA Board Members and Member City officials, employees, contractors, and agents; and (v) dividing the operations of TMPA into three business functions (mine, generation, and transmission) and requiring separate budgets and books for each business function.

The PSC provides upon dissolution of TMPA, the assets of TMPA automatically being transferred to the Member Cities, with each Member City receiving an undivided interest in the assets of TMPA in proportion to the amount paid by the Member City to TMPA. The JOA requires TMPA to periodically make this calculation for each business unit and sets out formulas for making these calculations. Under the JOA, these ownership calculations are relevant not only to the allocation of assets upon dissolution of TMPA, but also to the allocation of certain proceeds from the sale of assets, and in some cases, the allocation of TMPA costs.

At the request of a majority of Member Cities, TMPA is required by the JOA to transfer a divided interest in the transmission system to each Member City. Under this partition process, the objective is for each City to receive ownership of transmission facilities in the vicinity of the Member City, and in proportion to the Member City's ownership interest in the transmission business. Any such transfer of transmission assets must be in compliance with relevant bond covenants, including those requiring defeasance of all or a portion of transmission debt.

The JOA included a reclamation plan for the mine, required the development of a decommissioning plan, and set out standards for environmental remediation. TMPA is required to comply with these plans and standards.

Under the JOA, in discharging its contractual obligations, including mine reclamation, decommissioning, transmission service, environmental remediation, indemnification, and other obligations, TMPA is rendering services to the Member Cities. The JOA obligates each Member City to pay the cost of these services, and to collect rates and charges for electric service sufficient to enable it to pay to TMPA all amounts due under the

JOA for these services. The City's payment obligations under the JOA are payable exclusively from such electric utility revenues and constitute an operating expense of the electric system.

Unless terminated earlier through the mutual consent of all parties, the JOA remains in effect until the dissolution of TMPA and the winding up of its affairs.

Effective September 1, 2016, the JOA was amended (Amendment No. 1). The primary purposes of the amendment were to authorize the sale of Gibbons Creek and the sale of the Southern 345 kV Transmission System and to authorize the issuance of refunding bonds in connection with such sales. As the sale contemplated by Amendment No. 1 did not occur, by its own terms, Amendment No. 1 ceased to have any force or effect. Effective September 22, 2017, the JOA was amended a second time (Amendment No. 2). The purposes of this amendment are to: continue TMPA's authority to issue mine reclamation bonds as had been contemplated in Amendment No. 1; revise the dates on which the separate budgets of the JOA become effective; authorize TMPA to sell certain mining and transmission assets, provided the sales do not exceed in value certain financial thresholds, and provided the sales comply with bond covenants; and allow for an extension to the term of the PSC, applicable only to the cities notifying TMPA of the extension, in order to complete a period of seasonal operation in 2018, or such other period of time as desired by the notifying cities. Pursuant to this provision, the City extended the PSC from September 1, 2018, to September 30, 2018, in order to complete the period of 2018 seasonal operation. As of September 30, 2018, the PSC had expired for all member cities.

On September 17, 2019, the JOA was amended (Amendment No. 3). The amendment defined portions specific to the generation business that had been tied to the expired PSC and clarified all board members may vote on matters involving decommissioning and the sale of the plant. It exempted financial commitments related to bonding from the requirement to obtain approval of all Member Cities relating to certain budget increases. This is to address concerns by the Attorney General of Texas that a potential situation could arise where a Member City could interfere with TMPA's existing bond deposit requirement obligations ("bond reserve equivalent") should that obligation require a 20% increase over the previous year's budget. The amendment also allows for the sale of mine tracts only after the completion of mine reclamation. This would permit the sale of a mine tract subject to bonding provided that the conveyance reserves easements, leases, or other property rights are reserved to enable TMPA to complete reclamation.

On June 28, 2021, the JOA was amended (Amendment No. 4). This amendment modified the agreement to make it unambiguous that in the event that all mining assets are sold, all Member Cities shall remain responsible for the costs of closing the mining operation according to each's percentage share and that these are included: "all obligations are discharged with respect to mine reclamation bonds, surety bonds, banking agreements, letters of credit, and other financial commitments related to providing financial security or assurance for TMPA's mine reclamation responsibilities." Additionally, it modified the agreement by removing the cap on sales of the mining assets and allowed for the sale of the mine as a whole.

Effective September 26, 2017, Gibbons Creek transitioned into a seasonal operations mode, operating during the summer months only (May-September). Due to the significant decline in service utility of the generation assets, such assets were deemed largely impaired as of September 30, 2017. On June 1, 2019, the TMPA Board of Directors voted to permanently retire the generation facility. The City also wholly impaired its TMPA prepaid purchase power due to the retirement which was fully amortized as of March 31, 2025. See note IV.F. for more information.

In 2019, TMPA issued a request for proposal involving only the sale of generation assets. Proposals were received in August 2019, and TMPA entered negotiations with one of the proposers. On December 10, 2020, the TMPA Board of Directors approved a fully negotiated Asset Purchase Agreement (APA) with Gibbons Creek Environmental Redevelopment Group LLC (GCERG). As required by the TMPA Joint Operating Agreement, each TMPA member city was required to approve the APA. On January 26, 2021, the City Council approved of the APA with GCERG. On February 10, 2021, TMPA and GCERG closed on the sale of the Gibbons Creek Steam Generation Plant and property. Through the sale, GCERG acquired 6,200 acres including the plant, CCR (coal combustion residuals) units, and reservoir. GCERG must decommission the

plant and remediate all CCR units to TCEQ/EPA standards. GCERG provides independent financial security to TMPA for remediation/decommissioning and post closure activities and certain land use limits imposed on CCR containing parcels. The City's Electric fund had a liability recorded for TMPA's decommissioning obligation of $21,167,124 as of September 30, 2020. As part of the sale of Gibbons Creek, the City paid $6,037,368 of this liability in February 2021. The remaining liability of $15,129,756 was recognized as a gain in other non-operating revenues. This sale to GCERG only includes the generation assets and TMPA retained the approximate 11,000 acres associated with the mine land and all transmission assets.

On July 15, 2021, the TMPA Board of Directors authorized the Gibbons Creek Lignite Mine with approximately 11,000 acres to be sold. The sale finalized in December 2021. The City received its portion of the sale in the amount of $15,174,089 which was recorded as revenues in the Electric fund for the fiscal year ending September 30, 2022. Following the closing, TMPA will continue to conduct mine reclamation activities pursuant to a reclamation easement that will remain in effect until all bonded areas are released from bond.

Selected financial statement information of TMPA is as follows:

	September 30 (Unaudited)	
	2025	2024
	(000s)	(000s)
Operating revenues	$ 36,392	$ 36,891
Operating expenses	13,821	15,728
Operating income	22,571	21,163
Other non-operating sources (uses)	1,437	6,664
Current unrestricted assets	22,509	22,509
Total assets and deferred outflows	244,355	225,091
Long-term debt – Noncurrent	218,584	199,737
Total liabilities and deferred inflows	259,124	238,243
Total net position	(14,769)	(13,152)

Financial statements for TMPA are available from the TMPA website www.texasmpa.org.

Power Purchase Agreements

Following is a list of power purchase agreements in effect as of the publication date of these financial statements. The information provided is all that is allowed under the confidentiality provision(s) of the agreements.

Santa Rita Wind - In 2016, the city entered into a 20-year power purchase agreement with Santa Rita Wind, LLC, a subsidiary of Invenergy, LLC. The agreement has been transferred to BHER Santa Rita Investment, LLC, a subsidiary of Berkshire Hathaway Energy Company. Under the agreement, which is scheduled to end April 2038, the city will purchase 150 MW of wind generation and environmental attributes. Commercial operation date was April 1, 2018.

Bluebell Solar Energy - In 2015, the city entered into a 20-year power purchase agreement with Bluebell Solar Energy, LLC, a subsidiary of NextEra Energy, Inc. Under the agreement, which is scheduled to end November 2038, the city will purchase 30 MW of solar energy and environmental attributes. Commercial operation date was November 1, 2018.

Engie Long Draw Solar - In 2018, the city entered into a 15-year power purchase agreement with Engie Long Draw Solar, LLC, a subsidiary of Engie, LLC. Under the agreement, which is scheduled to end June 2035, the city will purchase 75 MW of solar generation and environmental attributes. Commercial operation date was December 29, 2020.

Bluebell Solar II Energy - In 2018, the city entered into a 15-year power purchase agreement with Bluebell Solar II Energy, LLC, a subsidiary of NextEra Energy, Inc. Under the agreement, which is scheduled to end December 2035, the City will purchase 100 MW of solar generation and environmental attributes. Commercial operation date was December 28, 2020.

Yellow Viking Solar – In 2024, the city entered into a 15-year power purchase agreement with Yellow Viking Development One, LLC, a subsidiary of Osaka Gas USA Corporation. The agreement has been transferred to Lydian Energy. Under the agreement, which is scheduled to end in July 2042, the city will purchase 100 MW of solar generation and environmental attributes. The expected commercial operation date is on or before July 13, 2027.

Blue Summit I Wind - In 2025, the city entered into a 15-year power purchase agreement with Blue Summit I Wind, LLC, a subsidiary of NextEra Energy, Inc. Under the agreement, which is scheduled to end in December 2040, the City will purchase 140 MW of wind generation and environmental attributes. Commercial operation date was November 1, 2025.

Tidwell Prairie IIA - In 2025, the city entered into a 10-year tolling agreement with Tidwell Prairie IIA, LLC, a subsidiary of Jupiter Power, LLC. Under the agreement, which is scheduled to end June 2036, the City will purchase energy storage services from a 100 MW 2-hour battery generator. The expected commercial operation date is on or before June 1, 2026.

Encumbrances

As discussed in note I.D., Budgetary information, encumbrances are utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the total amount encumbered in governmental funds expected to be honored upon performance by the vendor in the next year were as follows:

General Fund	$	8,307,642
Capital Projects Fund	$	17,402,788
ARPA Fund	$	1,304,486
Nonmajor Governmental Funds	$	44,445,040
Total	$	71,459,956

F. Tax Abatements

The City enters into economic development incentive agreements with entities to promote development and redevelopment within the City, stimulate commercial activity, generate additional sales tax, and enhance the property tax base and economic vitality of the City. Some agreements provide for an abatement of property taxes, while others provide for a rebate of a portion of sales and use tax or a portion of ad valorem (property) tax, as established per the agreements. The incentives are performance-based, and the City generally expects to receive increased revenue because of the agreements. These incentive agreements require approval by a City Council ordinance and are authorized under Chapter 312 (Property Redevelopment and Tax Abatement Act) of the Texas Tax Code and Chapter 380 of the Texas Local Government Code.

Property Tax Abatements

Tax abatements under Chapter 312 of the Texas Tax Code allow the City to designate tax reinvestment zones and negotiate tax abatement agreements with applicants. In 1990, the City Council adopted a resolution setting guidelines and criteria for granting abatements in the reinvestment zones which specifically notes incentives are limited to companies which create new wealth and do not adversely affect existing businesses operating within the City. The City is required to renew/adopt a Tax Abatement Policy every two years in accordance with Chapter 312 of the Texas Tax Code. The last policy was adopted in May of 2024. The abatement agreements authorize the appraisal districts to reduce the assessed value of the taxpayer's property by a percentage specified in the agreement, and the taxpayer will pay taxes on the lower assessed value during the

term of the agreement. For the fiscal year ending September 30, 2025, the City abated property taxes totaling $204,605 under this program, as detailed in the following agreements:

- Peterbilt – In 2016, a 70% tax abatement agreement for a term of eight years was granted to Peterbilt Motors on new capital investments, including the construction of a new stand-alone 102,000 square foot building. In the event of a failure to meet the conditions of the agreement, an increased assessed value of real property of at least $18.5 million, the agreement provides for a full refund of all abatements previously granted plus interest. Peterbilt met the $18,500,000 required threshold for tax year 2024. The abatement amounted to $153,747. This is the final year of the abatement.
- West Gate Business Park (WGBP) – In 2016, a 60% tax abatement agreement for a term of ten years was granted to WGBP on new capital investments only to include Buildings 2 and 3 in the business park. WGBP could receive an additional 10% abatement for the location of a supplier to an existing primary industry and/or an additional 5% for the location of a national headquarters for a total abatement of up to 75%. In the event of a failure to meet the conditions of the agreement, an increased assessed value of real property of at least $3 million, the agreement provides for a full refund of all abatements previously granted plus interest. The abatement amount for the current fiscal year was $50,858.

The City has an additional abatement agreement not listed above for Tyson Sales and Distribution. The grantee has contracted their expansions in the current economic climate and did not meet the timely completion requirements in the Agreement for the construction of the facility. The Agreement was terminated.

Chapter 380 Agreements

The City Council has the authority under Chapter 380 of the Texas Local Government Code to grant or loan City funds to accomplish specific economic development goals. These incentives are considered on a case-by-case basis. The City has Strategic Growth Areas organized by the North American Industry Classification System (NAICS) codes and internal target industry sectors for recruitment that will be given priority consideration. Consideration may also be given for projects causing infill redevelopment or other desirable development objectives and/or any other activity which the City Council determines meets a specific public purpose for economic development.

Thirteen agreements are based on the contribution in sales, property (including TIRZ), and/or hotel tax. For the fiscal year ending September 30, 2025, the City rebated sales taxes totaling $4,023,146, property taxes totaling $772,271 ($219,614 of which was paid out of the Westpark TIRZ No. Two), and hotel occupancy taxes totaling $773,921.

Two active agreements are based on Job-based and Expansion/Relocation/Headquarter grants. For the fiscal year that ended September 30, 2025, the City provided cash grant reimbursements for Job-based grants for Expansion/relocation Grants in the amount of $54,711 this fiscal year as detailed in the following agreements:

- Unicorn Lake – In 2004, an agreement was approved for Unicorn Lake, an urban-style mixed-use development. The grantee receives one-third of the City sales tax, or 0.5%, generated by the project for a maximum of fifteen years as reimbursement for public improvement costs related to the project not to exceed $6,664,901 plus accrued interest. The tax rebates initiated in 2010 and terminated in 2025. The tax rebate amount for the current fiscal year was $12,638. This is the final payment under the agreement.
- Rayzor Ranch – In 2007, an agreement was approved for the Rayzor Ranch mixed-use development. The 410-acre project will have over one million square feet of retail and will be built in two phases. The agreement provides a sales tax reimbursement of one half of the City sales tax, or 0.75%, generated by the project for public improvement costs, which includes the widening of a state highway bisecting the project. The grantee will receive a maximum of $20 million over a 15-year term for phase

one and a maximum of $48 million over a term of 20 years for phase two. An additional 15% of the City sales tax, or 0.225%, was added to both phases to offset the hotel and convention center costs until $5 million is reached. In the current fiscal year, the tax rebate amount for phase one was $1,989,950, and the tax rebate amount for phase two was $1,553,616.

- Golden Triangle Mall – In 2011, an agreement was approved for a major renovation of the Golden Triangle Mall. A threshold of a minimum $45 to $65 million was required as an investment into the property to receive a one-half share of the sales tax resulting from the renovations, less a monthly mall baseline amount established at $95,898. The total grant payments may not exceed 15.83% of the required investment. GTM Development has invested $49.5 million in the development. Tenant investments in the property amounted to $8.8 million, for a total investment of $58.3 million. Based on this total investment the total grant payment should not exceed $9.2 million. The tax rebates initiated in 2016 and will terminate in 2035. The tax rebate amount for the current fiscal year was $19,648.
- West Gate Business Park (WGBP) – In 2015, an agreement was approved for West Gate Business Park (WGBP) for industrial development and provided for a 70% rebate of increased City property tax revenue generated for a period of ten years. WGBP includes three multi-tenant buildings totaling 413,000 square feet of new industrial/manufacturing space in the City. In 2016 the agreement was amended to include a 70% rebate on Building 1 improvements and to add a one-time grant payment in the amount of $50,000. The tax rebate amount for the current fiscal year was $58,354.
- WinCo Foods – In 2015, an agreement was approved for WinCo Foods for a $135 million, 800,000 square foot distribution facility expected to create 165 jobs with an annual payroll of around $7.2 million. In the event of a failure to meet the conditions of the agreement, the agreement provides for a 20-50% refund of all rebates previously granted, depending on the timing of a failure. WinCo received reimbursement for infrastructure financing from Water and Wastewater funds and a local sale and use tax grant for the construction and equipping of the facility in prior fiscal years, completing those portions of the agreement. The active portion of the agreement provides for the following:
    - A grant equal to 100% of the incremental property tax generated by the property and paid into the Tax Increment Fund by both the City and the County, paid annually until the full reimbursement of the project costs for public improvements is reached. The tax rebate amount out of the Westpark TIRZ No. Two for the current fiscal year was $219,614 with $166,259 being the City portion of the tax rebate and $53,355 being the County portion of the tax rebate.
    - A grant equal to 60% of City property taxes attributable to improvements resulting in an increase of assessed value of real property improvements and tangible personal property, paid annually until full reimbursement of the project costs for public improvements is reached. Once this full reimbursement is reached, the 60% property tax rebate will continue for a period of four years as long as the increase in investment in improvements is $50 million excluding purchase price of the property. The tax rebate amount for the current fiscal year was $245,982.
- O’Reilly Hotel Partners Denton – In 2015, an agreement was approved for O’Reilly Hotel Partners Denton for a convention center with a hotel and restaurant located in the Rayzor Ranch Town Center. The agreement includes a 100% rebate of the property tax (excluding land, inventory, vehicles, and supplies), hotel occupancy tax, and sales tax generated by the project. The term is for a maximum of 25 years or a combined principal ($28 million) and interest ($26 million) amount of $54 million is reached, whichever comes first. The agreement also includes 100% rebate of the construction sales

tax up to $850,000, then 50% thereafter. The construction sales tax rebate portion of the agreement was completed in fiscal year 2017-2018. In the event of a failure to meet the conditions of the agreement, the agreement provides for a 100% refund of all rebates granted in the previous year. The sales tax, property tax, and hotel occupancy tax rebate amounts for the current fiscal year were $59,208, $248,321, and $773,921, respectively.

- Buc-ee's Travel Center – In 2015, an agreement was approved for Buc-ee's Travel Center. The agreement provides for a sales tax reimbursement of one half of the City sales tax, or 0.75%, generated from businesses located within the property boundaries for a five-year period. At the conclusion of the sales tax reimbursement term, the City has agreed to a one-time cash grant payment of $2 million minus the total sales tax previously reimbursed, only if the grantee has not received a full $2 million in sales tax reimbursements. In addition, at the conclusion of the sales tax reimbursement term, the agreement provides a sales tax reimbursement infrastructure grant of one half of the City sales tax, or 0.75%, generated by the Buc-ee's Travel Center and developed outparcels that contain sit-down restaurants or retail establishments for a period of twenty years. The City has also agreed to pay the grantee one quarter of the City sales tax, or 0.375%, generated by outparcels not included in the previously mentioned infrastructure grant, including fast food restaurants and drive-through uses. The tax rebate amount for the current fiscal year was $378,072.

- TeamOfDefenders– In 2020 an agreement was approved for TeamOfDefenders. The agreement consists of a performance-based five-year expansion grant up to $50,000 to be provided as a reimbursement of actual costs. In addition, the company was awarded a stratified Job-based grant based on annual wages of new employees, not to exceed $29,500. They were awarded an additional $500 residency bonus for new employees, not to exceed $27,000. The total incentive package is not to exceed $106,500. The Job-based grant initiated in 2020. Two jobs were added but will not be reimbursed until the following fiscal year. The final Expansion Grant payment in the amount of $4,711 was paid in the current fiscal year.

- Safran– In 2021 an agreement was approved for Safran. The agreement consists of a performance-based five-year expansion grant up to $50,000 to be provided as a reimbursement of actual costs. In addition, the company was awarded a stratified Job-based grant based on annual wages of new employees, not to exceed $101,500. They were awarded an additional $300 residency grant for new resident employees and $700 bonus for new established resident employees, not to exceed $23,625. The total incentive package is not to exceed $175,125. No payments were made this fiscal year.

- Southwire Company, LLC-In 2024 an agreement was approved for Southwire. The company is North America's leading manufacturer of wire and cable used in the distribution and transmission of electricity. Southwire was awarded a 10-year performance-based Chapter 380 agreement for a 50% incremental rebate incentive, total not to exceed $1,955,100, for a 100,000 square foot expansion of their current facility. The company is leveraging $85.4 million dollars over the next three years and anticipates an increase in valuation of over $69 million in expansion and modernization efforts. A total of 95-net new jobs will be added at the campus in Denton.

- Fine Arts Theater of Denton, LLC- In 2024 an agreement was approved for Fine Arts Theater of Denton for the rehabilitation and renovation of the 1934 historic Fine Arts Theater that is located on the Denton Downtown Square. The theater's functionality extends beyond film screenings and is envisioned as a multi-use venue, capable of hosting film festivals, concerts, live performances, and private event rentals. The theatre renovation represents a capital investment of $9.1 million. Two Downtown Tax Increment Reinvestment Zone (TIRZ) No. One grants were approved for a total of $1.6 million. TIRZ Grant 1 includes a total of $1,076,366 to pay down the construction loan principal to the required amount for the bank loan. TIRZ Grant 2 is an annual operation grant of $544,503 for

shortfall between net profit and debt service. Fifteen jobs will be created by the project. The theater is expected to open in April 2026.

- Enginetech- In 2024, a global plastic injection manufacturer based in India, selected Denton for their North America Headquarters. Since identifying their new headquarters' location, they have doubled their footprint by developing three new products and obtaining multiple contracts. The Denton location will provide parts to PACCAR (Peterbilt and Kenworth) in Canada, Denton, and Mexico. The company was awarded a five-year 50% rebate of business personal property estimated at $79,545 and a one-time Headquarters Grant in the amount of $50,000. In addition, the company was awarded a stratified job-based grant not to exceed $194,000 and a Residency Grant, not to exceed $16,000. An Expansion Grant payment in the amount of $50,000 was paid in the current fiscal year, which completes the Expansion Grant.
- Bloomfield Homes, LP- In 2024, An agreement was awarded to Bloomfield homes for a a ten-year 33% sales and use tax rebate for construction of homes at the Glenwood Meadows and Country Lakes additions. The sales tax rebate amounted to $10,014 this fiscal year.
- United States Cold Storage (USCS)- In 2025, an agreement was approved for a performance-based ad valorem tax rebate at 60% for 8 years and a sales tax rebate at 75% for the construction and equipping of the facility. USCS currently maintains a cold storage facility in Denton. The company plans on adding on a second phase to its existing refrigerated warehouse facility and estimate that their investment in new building, machinery, and equipment will create approximately $35 million in new ad-valorem value in Denton. The project involves plans to create 172 jobs with a weighted average salary of $57,164.
- Mayday Manufacturing Company- In 2025, an agreement was awarded for a performance-based incremental ad-valorem tax rebate at 60% for 10 years for business expansion and an Expansion Grant in the amount of $25,000. The company currently maintains a manufacturing facility in Denton and employs approximately 400. Mayday plans to expand its existing facility and estimates that its investment in the building, machinery, and equipment will generate $14.5 million in new capital investment. The project involves plans to create 50 new jobs with an average salary of $54,020.
- Panel Rey/PR Gypsum- In 2025, an agreement was approved for a five-year performance-based ad valorem tax rebate at 60% estimated at $170,357 and a one-time Relocation Grant in the amount of $50,000. In addition, the company was awarded a stratified job-based grant not to exceed $16,500. This is the first manufacturing expansion into the United States for a company that produces joint compound used in the construction of residential and commercial projects. Panel Rey is seeking to purchase an existing 60,000 square foot building as Phase I of their U.S. expansion. The company's planned investment in the building, machinery, and equipment will be approximately $15 million. The project involves plans to create 20 jobs with a weighted salary of $72,733.

The City approved one Chapter 380 sales tax rebate, a Remediation Grant and a job-based grant, as well as one tax abatement agreement that will come online in future fiscal years. Novartis Gene Therapies was awarded both a Chapter 380 and a tax abatement agreement. From the Future did not expand and has not come online. Currently, the City is in the process of terminating the Agreement with DynaGrid, as the company did not locate their principal place of business within the corporate limits of the City of Denton, as required per the Agreement.

G. Litigation

Various claims and lawsuits are pending against the City. In accordance with GAAP, those judgments considered "probable" are accrued, while those claims and judgments considered "reasonably possible" are disclosed but not accrued. In the opinion of City management and legal counsel, the maximum amount of all significant claims considered reasonably possible, excluding condemnation proceedings is approximately $500,000 as of September 30, 2025. Potential losses after insurance coverage on all probable claims and lawsuits will not have a material effect on the City's financial position as of September 30, 2025.

H. Subsequent Events

The City has evaluated all events or transactions that occurred after September 30, 2025, up through the date the financial statements were issued.

The Water Utilities Department applied for and received approval for $195,845,000 in funding from the Texas Water Development Board (TWDB) State Water Implementation Fund for Texas (SWIFT) program. In December 2025, the City received $11,235,000 which relates to the latest issuance out of the 5-year financing plan.

I. New Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) issued the following statement which became effective for the fiscal year ending September 30, 2025.

Statement No. 101 "*Compensated Absences*" - The City of Denton implemented GASB Statement No. 101, Compensated Absences, in fiscal year 2025. The Statement provides updated recognition and measurement guidance for unused leave and for leave that has been used but not yet paid. Under the standard, a liability is recognized when leave is attributable to past service, accumulates, and is more likely than not to be used or paid. The adoption of GASB 101 represents a change in accounting principle; however, its implementation did not result in a material impact on the City's financial statements. As of fiscal year-end, the City's compensated absences liability totaled $29,820,736, of which $17,939,440 is current (due within one year) and $11,881,296 is noncurrent.

Statement No. 102 "*Certain Risk Disclosures*" - The City implemented Governmental Accounting Standards Board (GASB) Statement No. 102, Certain Risk Disclosures, for the fiscal year ended September 30, 2025. This Statement requires governments to evaluate whether certain concentrations or constraints exist that make the government vulnerable to the risk of a substantial impact and to disclose information about those risks if certain criteria are met. Concentration is defined as a lack of diversity related to a significant inflow or outflow of resources, while a constraint is a limitation imposed by external parties or by formal action of the City's highest level of decision-making authority. The Statement further requires an evaluation of whether events associated with such concentrations or constraints have occurred, have begun to occur, or are more likely than not to occur within 12 months of the issuance of the financial statements. After implementing GASB Statement No. 102, the City determined that no concentrations or constraints met the criteria for disclosure as of the issuance date of these financial statements. The implementation of this Statement did not have a material impact on the City's financial position or results of operations.

The following statements for the GASB are effective for future fiscal years ending as listed below. The City is in the process of reviewing and evaluating these statements and their potential impact on the City's financial statements.

Statement No. 103 "*Financial Reporting Model Improvements*" - will improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The Statement also addresses certain application issues. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025.

Statement No. 104 "*Disclosure of Certain Capital Assets*" - will provide users of government financial statements with essential information about certain types of capital assets to be disclosed separately in the capital assets note disclosures, such as lease and subscription assets. The Statement also requires additional disclosures for capital assets held for sale. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025.

Statement No. 105 "*Subsequent Events*" - will improve financial reporting practices related to subsequent events by promoting consistency in their application and better meeting the information needs of financial statement users. It defines subsequent events as transactions or occurrences that happen after the financial statement date but before the statements are available for issuance, which is when they are complete under GAAP and all necessary approvals have been obtained. The requirements of this Statement are effective for fiscal years beginning after June 15, 2026.

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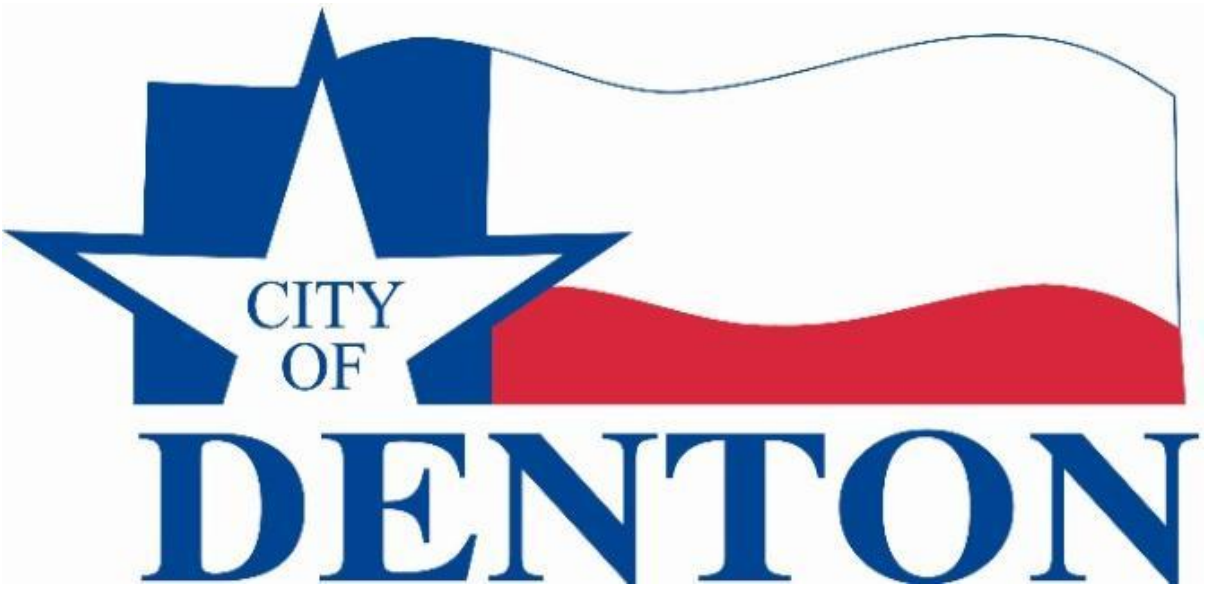
CITY
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CITY OF DENTON, TEXAS **Exhibit XIII**
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST TEN FISCAL YEARS

	Measurement Year 2015	Measurement Year 2016	Measurement Year 2017	Measurement Year 2018	Measurement Year 2019
Total pension liability:					
Service Cost	$ 12,615,957	$ 13,925,238	$ 14,514,171	$ 14,990,529	$ 16,283,811
Interest (on the total pension liability)	26,905,700	27,656,654	29,543,513	31,468,411	33,434,342
Difference between expected and actual experience	(1,525,911)	763,589	1,514,980	1,255,443	2,005,979
Change of assumptions	(428,789)	-	-	-	1,438,798
Benefit payments, including refunds of employee contributions	(12,697,735)	(13,023,330)	(16,349,644)	(18,238,039)	(20,234,184)
Net change in total pension liability	24,869,222	29,322,151	29,223,020	29,476,344	32,928,746
Total pension liability - beginning	384,408,038	409,277,260	438,599,411	467,822,431	497,298,775
Total pension liability - ending (a)	$ 409,277,260	$ 438,599,411	$ 467,822,431	$ 497,298,775	$ 530,227,521
Plan fiduciary net position:					
Contributions - employer	$ 13,615,410	$ 14,046,860	$ 14,821,752	$ 15,107,443	$ 16,255,126
Contributions - employee	5,365,231	5,712,464	6,014,227	6,175,407	6,693,287
Net investment income (loss)	469,530	21,947,635	48,954,660	(12,175,765)	61,399,432
Benefit payments, including refunds of employee contributions	(12,697,735)	(13,023,330)	(16,349,644)	(18,238,039)	(20,234,184)
Administrative expense	(285,957)	(247,766)	(253,578)	(235,169)	(346,657)
Other	(14,123)	(13,349)	(12,851)	(12,287)	(10,413)
Net change in plan fiduciary net position	6,452,356	28,422,514	53,174,566	(9,378,410)	63,756,591
Plan fiduciary net position - beginning	318,166,193	324,618,549	353,041,063	406,215,629	396,837,219
Plan fiduciary net position - ending (b)	$ 324,618,549	$ 353,041,063	$ 406,215,629	$ 396,837,219	$ 460,593,810
Net pension liability - ending (a) - (b)	$ 84,658,711	$ 85,558,348	$ 61,606,802	$ 100,461,556	$ 69,633,711
Plan fiduciary net position as a percentage of total pension liability	79.32%	80.49%	86.83%	79.80%	86.87%
Covered payroll	$ 76,646,157	$ 81,481,789	$ 85,227,078	$ 88,179,581	$ 95,618,386
Net pension liability as a percentage of covered payroll	110.45%	105.00%	72.29%	113.93%	72.82%

(continued on the following page)

CITY OF DENTON, TEXAS **Exhibit XIII**
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST TEN FISCAL YEARS

	Measurement Year 2020	Measurement Year 2021	Measurement Year 2022	Measurement Year 2023	Measurement Year 2024
Total pension liability:					
Service Cost	$ 18,685,981	$ 17,667,234	$ 19,111,021	$ 21,408,496	$ 25,133,454
Interest (on the total pension liability)	35,523,156	37,617,145	40,284,903	43,175,635	45,632,055
Difference between expected and actual experience	2,636,510	8,560,080	8,678,564	3,120,640	7,317,890
Change of assumptions	-	-	-	(4,298,128)	
Benefit payments, including refunds of employee contributions	(26,603,058)	(24,025,384)	(26,062,628)	(26,732,504)	(31,022,941)
Net change in total pension liability	30,242,589	39,819,075	42,011,860	36,674,139	47,060,458
Total pension liability - beginning	530,227,521	560,470,110	600,289,185	642,301,045	678,975,184
Total pension liability - ending (a)	$ 560,470,110	$ 600,289,185	$ 642,301,045	$ 678,975,184	$ 726,035,642
Plan fiduciary net position:					
Contributions - employer	$ 18,613,464	$ 17,849,684	$ 19,140,875	$ 21,790,165	$ 25,761,959
Contributions - employee	7,536,737	7,095,275	7,670,708	8,535,599	9,666,319
Net investment income (loss)	34,987,709	64,564,009	(40,913,118)	60,236,192	60,664,328
Benefit payments, including refunds of employee contributions	(26,603,058)	(24,025,384)	(26,062,628)	(26,732,504)	(31,022,941)
Administrative expense	(226,230)	(298,515)	(353,785)	(382,866)	(388,785)
Other	(8,826)	2,046	422,171	(2,675)	(9,093)
Net change in plan fiduciary net position	34,299,796	65,187,115	(40,095,777)	63,443,911	64,671,787
Plan fiduciary net position - beginning	460,593,810	494,893,606	560,080,721	519,984,941	583,428,852
Plan fiduciary net position - ending (b)	$ 494,893,606	$ 560,080,721	$ 519,984,944	$ 583,428,852	$ 648,100,639
Net pension liability - ending (a) - (b)	$ 65,576,504	$ 40,208,464	$ 122,316,104	95,546,332	$ 77,935,003
Plan fiduciary net position as a percentage of total pension liability	88.30%	93.30%	80.96%	85.93%	89.27%
Covered payroll	$ 107,576,172	$ 101,361,066	$ 109,581,543	$ 121,846,875	$ 138,020,067
Net pension liability as a percentage of covered payroll	60.96%	39.67%	111.62%	78.42%	56.47%

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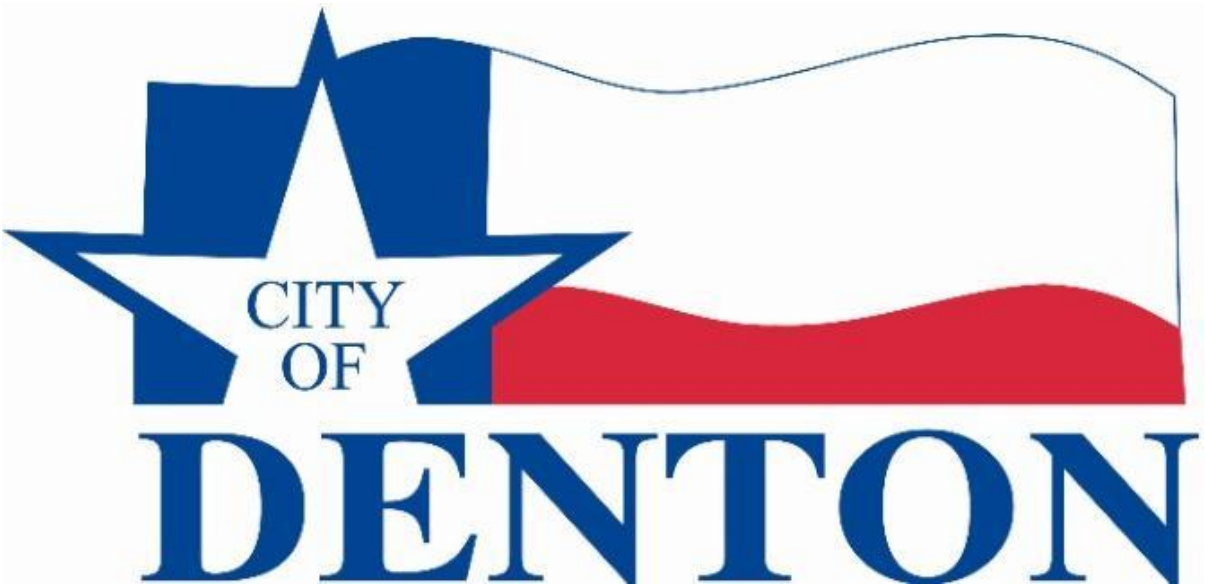
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CITY OF DENTON, TEXAS **Exhibit XIV**
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CONTRIBUTIONS
LAST TEN FISCAL YEARS (Unaudited)

Fiscal Year	(a) Actuarially Determined Contributions	(b) Contributions in Relation to the Actuarially Determined Contributions	(c) Contribution Excess (Deficiency) (b) - (a)	(d) Covered Payroll	Contributions as a Percentage of Covered Payroll (b)/(d)
2016	14,435,638	14,435,638	-	83,127,601	17.37%
2017	14,648,606	14,648,606	-	84,753,377	17.28%
2018	14,931,800	14,931,800	-	86,832,074	17.20%
2019	16,035,042	16,035,042	-	94,158,313	17.03%
2020	17,562,597	17,562,597	-	101,964,029	17.22%
2021	17,794,920	17,794,920	-	101,641,023	17.51%
2022	18,471,103	18,471,103	-	105,519,237	17.50%
2023	19,140,875	19,140,875	-	109,581,543	17.47%
2024	21,790,165	21,790,165	-	121,846,875	17.88%
2025	26,591,225	26,591,225	-	142,559,469	18.65%

Notes to Schedule:
Actuarial determined contribution rates are calculated as of December 31st and become effective in January, 13 months later. Contributions above do not include contributions into the supplemental death benefit fund.

Methods and assumptions used to determine contribution rate for 2025:

Actuarial Cost Method	**Entry Age Normal**
Amortization Method	**Level Percentage of Payroll, Closed**
Remaining Amortization Period	**21 Years (longest amortization ladder)**
Asset Valuation Method	**10 Year Smoothed Market; 12% Soft Corridor**
Inflation	**2.50%**
Salary Increases	**3.60% to 11.85% including inflation**
Investment Rate of Return	**6.75%**
Retirement Age	**Experience-based table of rates vary by age. Last updated for the 2023 valuation pursuant to and experience study of the period ending 2022.**
Mortality	**Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).**
	Pre-retirement: PUB(10) mortality tables, with the 110% Public Safety table used for males and the 100% General Employees table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).
Other	**There were no benefit changes during the year**

CITY OF DENTON, TEXAS **Exhibit XV**
REQUIRED SUPPLEMENTARY INFORMATION
DENTON FIREMEN'S RELIEF AND RETIREMENT FUND
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST TEN FISCAL YEARS

	Measurement Year 2015	Measurement Year 2016	Measurement Year 2017	Measurement Year 2018	Measurement Year 2019
Total pension liability:					
Service Cost	$ 2,836,263	$ 3,089,911	$ 3,182,608	$ 3,615,495	$ 3,723,960
Interest (on the total pension liability)	5,998,959	6,135,588	6,493,255	7,049,261	7,497,583
Changes of benefit terms	-	-	-	-	-
Difference between expected and actual experience	(2,063,421)	-	2,040,716	-	1,526,958
Change of assumptions	2,331,908	-	-	-	3,446,011
Benefit payments, including refunds of employee contributions	(4,048,358)	(4,270,006)	(3,768,829)	(4,055,856)	(4,206,975)
Net change in total pension liability	5,055,351	4,955,493	7,947,750	6,608,900	11,987,537
Total pension liability - beginning	84,887,334	89,942,685	94,898,178	102,845,928	109,454,828
Total pension liability - ending (a)	$ 89,942,685	$ 94,898,178	$ 102,845,928	$ 109,454,828	$ 121,442,365
Plan fiduciary net position:					
Contributions - employer	$ 2,567,219	$ 2,759,844	$ 2,979,807	$ 3,434,007	$ 3,639,740
Contributions - employee	1,803,064	1,997,155	2,142,990	2,338,837	2,478,958
Net investment income (loss)	(3,287,188)	6,935,215	8,793,234	(183,148)	15,141,275
Benefit payments, including refunds of employee contributions	(4,048,358)	(4,270,006)	(3,768,829)	(4,055,856)	(4,206,975)
Administrative expense	(76,538)	(94,175)	(63,669)	(87,899)	(71,427)
Net change in plan fiduciary net position	(3,041,801)	7,328,033	10,083,533	1,445,941	16,981,571
Plan fiduciary net position - beginning	71,018,518	67,976,717	75,304,750	85,388,283	86,834,224
Plan fiduciary net position - ending (b)	$ 67,976,717	$ 75,304,750	$ 85,388,283	$ 86,834,224	$ 103,815,795
OPEB liability - ending (a) - (b)	$ 21,965,968	$ 19,593,428	$ 17,457,645	$ 22,620,604	$ 17,626,570
Plan fiduciary net position as a percentage of total pension liability	75.58%	79.35%	83.03%	79.33%	85.49%
Covered payroll	$ 14,310,032	$ 15,850,437	$ 17,007,857	$ 18,562,198	$ 19,674,270
OPEB liability as a percentage of covered payroll	153.50%	123.61%	102.64%	121.86%	89.59%

(continued on the following page)

CITY OF DENTON, TEXAS **Exhibit XV**
REQUIRED SUPPLEMENTARY INFORMATION
DENTON FIREMEN'S RELIEF AND RETIREMENT FUND
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST TEN FISCAL YEARS

	Measurement Year 2020	Measurement Year 2021	Measurement Year 2022	Measurement Year 2023	Measurement Year 2024
Total pension liability:					
Service Cost	$ 4,252,475	$ 4,380,049	$ 4,965,768	$ 5,114,741	$ 6,063,143
Interest (on the total pension liability)	8,293,527	8,791,959	9,787,310	10,437,944	11,469,317
Changes of benefit terms	-	1,074,140	-	-	-
Difference between expected and actual experience	-	4,783,943	-	5,114,242	-
Change of assumptions	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(5,655,539)	(4,923,273)	(4,816,472)	(5,709,565)	(6,961,903)
Net change in total pension liability	6,890,463	14,106,818	9,936,606	14,957,362	10,570,557
Total pension liability - beginning	121,442,365	128,332,828	142,439,646	152,376,252	167,333,614
Total pension liability - ending (a)	$ 128,332,828	$ 142,439,646	$ 152,376,252	$ 167,333,614	$ 177,904,171
Plan fiduciary net position:					
Contributions - employer	$ 4,069,311	$ 4,249,769	$ 4,545,905	$ 4,888,426	$ 5,846,904
Contributions - employee	2,771,532	2,894,437	3,096,130	3,329,414	3,889,705
Net investment income (loss)	12,313,949	21,206,371	(6,446,061)	12,849,568	13,206,709
Benefit payments, including refunds of employee contributions	(5,655,539)	(4,923,273)	(4,816,472)	(5,709,565)	(6,961,903)
Administrative expense	(116,909)	(87,866)	(114,279)	(87,648)	(109,901)
Net change in plan fiduciary net position	13,382,344	23,339,438	(3,734,777)	15,270,195	15,871,514
Plan fiduciary net position - beginning	103,815,795	117,198,139	140,537,577	136,802,800	152,072,995
Plan fiduciary net position - ending (b)	$ 117,198,139	$ 140,537,577	$ 136,802,800	$ 152,072,995	$ 167,944,509
OPEB liability - ending (a) - (b)	$ 11,134,689	$ 1,902,069	$ 15,573,452	$ 15,260,619	$ 9,959,662
Plan fiduciary net position as a percentage of total pension liability	91.32%	98.66%	89.78%	90.88%	94.40%
Covered payroll	$ 21,996,287	$ 22,971,722	$ 24,572,460	$ 26,423,921	$ 30,870,675
OPEB liability as a percentage of covered payroll	50.62%	8.28%	63.38%	57.75%	32.26%

(concluded)

CITY OF DENTON, TEXAS **Exhibit XVI**
REQUIRED SUPPLEMENTARY INFORMATION
FIREMEN'S RELIEF AND RETIREMENT FUND
SCHEDULE OF CONTRIBUTIONS
LAST TEN FISCAL YEARS (Unaudited)

Fiscal Year	(a) Annual Required Contributions	(b) Contributions in Relation to the Annual Required Contributions	(c) Contribution Excess (Deficiency) (b) - (a)	(d) Covered Payroll	Contributions as a Percentage of Covered Payroll (b)/(d)
2016	2,819,046	2,819,046	-	15,540,826	18.14%
2017	2,924,757	2,924,757	-	16,747,217	17.46%
2018	3,310,248	3,310,248	-	18,080,014	18.31%
2019	3,610,711	3,610,711	-	19,517,358	18.50%
2020	3,838,014	3,838,014	-	20,746,026	18.50%
2021	4,158,368	4,158,368	-	22,477,667	18.50%
2022	4,440,025	4,440,025	-	24,000,134	18.50%
2023	4,804,198	4,804,198	-	25,968,636	18.50%
2024	5,530,963	5,530,963	-	29,897,097	18.50%
2025	6,136,743	6,136,743	-	32,400,966	18.94%

Notes to Schedule:
Annual required contributions are not actuarially determined. In accordance with city ordinance since 2017, the City has contributed to the Firemen's Relief and Retirement Fund at the rate of 18.88%, the assumed actuarial valuation rate over the unfunded liability amortization period.

While the contribution requirements are not actuarially determined, state law requires an actuary certify the assumed City contribution rate is adequate. Methods and assumptions used to contribution adequacy in the December 31, 2023 actuarial valuation:

Actuarial Cost Method	**Entry Age**
Amortization Method	**Level Percentage of Payroll, Open**
Remaining Amortization Period	**6.5 Years**
Asset Valuation Method	**5-year smoothing**
Inflation	**2.50%**
Salary Increases	**3.00% annual general compensation increase plus promotion, step, and longevity increases that varies by service**
Investment Rate of Return	**6.75%, net of pension plan investment expense, including inflation**
Retirement Age	**Average expected age at retirement of 57**
Mortality	**PubS-2010 (public safety) total dataset mortality tables for employees and for retirees (Sex distinct), projected for morality improvement generationally using the projection scale MP-2019**

CITY OF DENTON, TEXAS **Exhibit XVII**
REQUIRED SUPPLEMENTARY INFORMATION
MEDICAL OTHER POST-EMPLOYMENT BENEFITS
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST EIGHT FISCAL YEARS (PREVIOUS YEARS ARE NOT AVAILABLE)[1,2]

	Measurement Year 2017	Measurement Year 2018	Measurement Year 2019	Measurement Year 2020	Measurement Year 2021	Measurement Year 2022	Measurement Year 2023	Measurement Year 2024
Total OPEB liability:								
Service Cost	$ 1,750,172	$ 1,995,008	$ 2,052,606	$ 2,884,792	$ 3,554,317	$ 3,282,530	$ 2,538,726	$ 2,882,929
Interest (on the total OPEB liability)	1,360,179	1,329,949	1,507,925	1,186,428	995,640	921,256	1,687,421	1,740,446
Changes of benefit terms	-	-	-	-	-	-	-	-
Difference between expected and actual experience	-	(150,485)	(1,512,289)	329,072	(1,283,436)	(42,650)	(920,557)	(105,456)
Change of assumptions or other inputs	2,067,787	(1,724,923)	1,444,810	3,664,984	(1,091,668)	(10,266,201)	3,039,595	(1,393,130)
Benefit payments	(742,818)	(899,361)	(1,126,992)	(1,695,382)	(1,826,367)	(1,679,015)	(2,174,160)	(1,858,482)
Net change in total OPEB liability	4,435,320	550,188	2,366,060	6,369,894	348,486	(7,784,080)	4,171,025	1,266,307
Total OPEB liability - beginning	35,196,570	39,631,890	40,182,078	42,548,138	48,918,032	49,266,518	41,482,438	45,653,463
Total OPEB liability - ending	$ 39,631,890	$ 40,182,078	$ 42,548,138	$ 48,918,032	$ 49,266,518	$ 41,482,438	$ 45,653,463	$ 46,919,770
Covered-employee payroll	104,783,403	$ 109,480,718	$ 118,063,295	$ 130,944,182	$ 126,595,871	$ 137,686,788	$ 152,743,678	$ 174,682,731
OPEB liability as a percentage of covered-employee payroll	37.82%	36.70%	36.04%	37.36%	38.92%	30.13%	29.89%	26.86%

[1]Schedule is intended to present information for ten years. Additional years of information will be presented as they become available.

[2]There are no assets accumulated in a trust that meets the criteria in Paragraph 4 of GASB Statement No. 75 to pay related benefits.

Methods and assumptions used to determine contribution rate for 2024:

Actuarial cost method	Entry-Age Normal
Discount rate	4.08% as of December 31, 2024 (This was a change of assumption, up from 3.77%, December 31, 2023)
Inflation rate	2.50%
Projected salary increases	3.60% to 11.85% for TMRS and 3.00% to 9.18% for Fire, including inflation
Demographic assumptions	Based on the experience study covering the four-year period ending December 31, 2023 as conducted for the Texas Municipal Retirement System (TMRS) and the assumptions used in the December 31, 2023 actuarial valuation for the Denton Firemen's Relief and Retirement Fund.
Healthcare trend rates	Initial rate of 7.20% declining to an ultimate rate of 4.25% after 15 years.
Mortality	TMRS: For healthy retirees, the gender-distinct 2019 Municipal Retirees of Texas mortality tables are used, with male rates multiplied by 103% and female rates multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). Fire: For healthy retirees, the gender-distinct PubS-2010 (safety employees) total data set mortality tables are used. The rates are projected on a fully generational basis using the project scale MP-2019.
Participation rates	65% for employees retiring at age 65 or older; 45% for employees retiring between the ages of 50 and 64; 5% for employees retiring between the ages of 45 and 49; 0% for employees retiring before the ages of 45.

CITY OF DENTON, TEXAS **Exhibit XVIII**
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM - SUPPLEMENTAL DEATH BENEFIT FUND
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST EIGHT FISCAL YEARS (PREVIOUS YEARS ARE NOT AVAILABLE)[1,2]

	Measurement Year 2017	Measurement Year 2018	Measurement Year 2019	Measurement Year 2020	Measurement Year 2021	Measurement Year 2022	Measurement Year 2023	Measurement Year 2024
Total OPEB liability:								
Service Cost	$ 144,886	$ 176,359	$ 152,989	$ 236,668	$ 233,130	$ 284,912	$ 146,216	$ 179,426
Interest (on the total OPEB liability)	106,885	110,831	130,143	115,434	103,668	100,639	151,640	157,100
Difference between expected and actual experience	-	155,143	(284,991)	(28,782)	(158,830)	46,933	30,281	(3,170)
Change of assumptions or other inputs	270,541	(247,941)	680,198	720,927	172,092	(1,978,189)	208,108	(227,872)
Benefit payments	(17,045)	(17,636)	(28,686)	(32,273)	(81,089)	(98,623)	(121,847)	(138,020)
Net change in total OPEB liability	505,267	176,756	649,653	1,011,974	268,971	(1,644,328)	414,398	(32,536)
Total OPEB liability - beginning	2,763,726	3,268,993	3,445,749	4,095,402	5,107,376	5,376,347	3,732,019	4,146,417
Total OPEB liability - ending	$ 3,268,993	$ 3,445,749	$ 4,095,402	$ 5,107,376	$ 5,376,347	$ 3,732,019	$ 4,146,417	$ 4,113,881
Covered-employee payroll	$ 85,227,078	$ 88,179,581	$ 95,618,386	$ 107,576,172	$ 101,361,066	$ 137,686,788	$ 121,846,875	$ 138,020,067
OPEB liability as a percentage of covered-employee payroll	3.84%	3.91%	4.28%	4.75%	5.30%	2.71%	3.40%	2.98%

[1]Schedule is intended to present information for ten years. Additional years of information will be presented as they become available.

[2]There are no assets accumulated in a trust that meets the criteria in Paragraph 4 of GASB Statement No. 75 to pay related benefits.

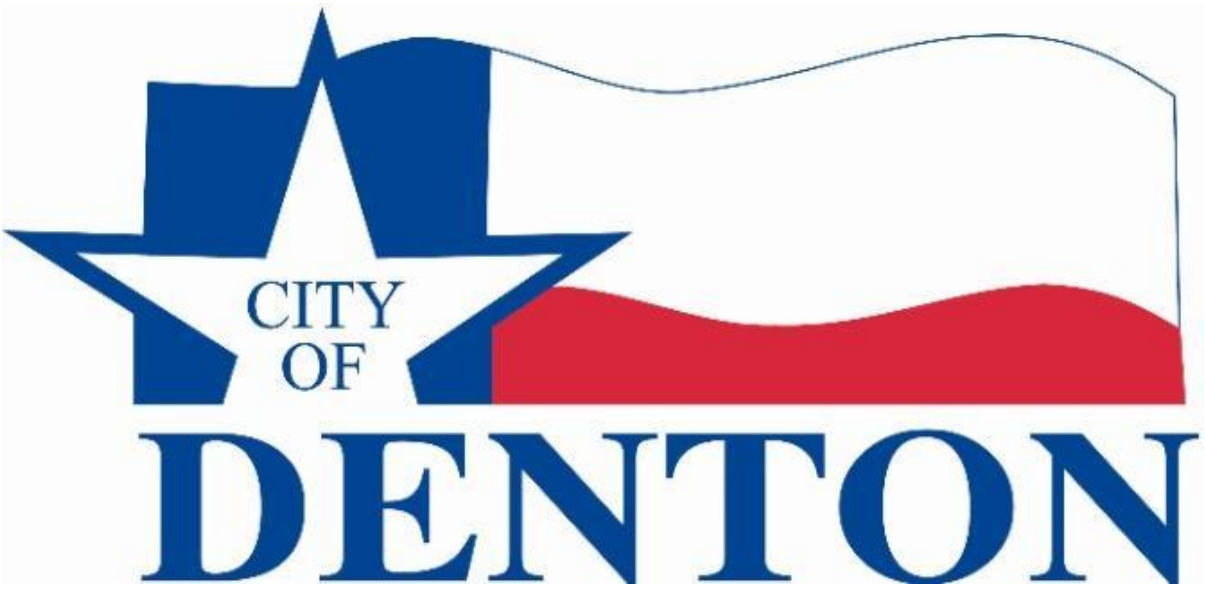
Methods and assumptions used to determine contribution rate for 2024:

Inflation rate	**2.50% per annum**
Discount rate	**4.08% (as of December 31, 2024.) The prior year discount rate was 3.77%.**
Actuarial cost method	**Entry Age Normal**
Projected salary increases	**3.60 % to 11.85%, including inflation.**
Retirees' share of benefit-related costs	**$0**
Administrative expenses	**All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB No. 68.**
Mortality rates - service retirees	**For healthy retirees, the gender-distinct 2019 Municipal Retirees of Texas mortality tables are used, with male rates multiplied by 103% and female rates multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).**
Mortality rates - disabled retirees	**2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis using the ultimate mortality improvement rates in the MP-2021 (with immediate convergence) to account for future mortality improvements subject to the floor.**

CITY OF DENTON, TEXAS **Exhibit XIX**
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
DEBT SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Budgeted Amounts		Actual	Adjustments - Budgetary	Actual on a Budgetary	Variance with Final Budget - Positive
	Original	Final	Amounts	Basis	Basis	(Negative)
REVENUES:						
Taxes	$ 50,012,675	$ 50,040,043	$ 50,087,820	$ -	$ 50,087,820	$ 47,777
Investment revenue (loss)	27,368	27,368	1,071,608	-	1,071,608	1,044,240
Total revenues	50,040,043	50,067,411	51,159,428	-	51,159,428	1,092,017
EXPENDITURES:						
Debt service:						
Principal, interest and fiscal charges	129,462,195	129,462,195	50,729,801	73,014,927	123,744,728	5,717,467
Bond refunding	-	-	-	-	-	-
Bond issuance costs	-	-	56,915	(56,915)	-	-
Total expenditures	129,462,195	129,462,195	50,786,716	72,958,012	123,744,728	5,717,467
Excess (deficiency) of revenues over (under) expenditures	(79,422,152)	(79,394,784)	372,712	(72,958,012)	(72,585,300)	6,809,484
OTHER FINANCING SOURCES (USES):						
Refunding bonds issued	-	-	10,375,000	(10,375,000)	-	-
Payment to refunded bond agent	-	-	(11,400,289)	11,400,289	-	-
Premium on debt issuance	-	-	1,084,796	(1,084,796)	-	-
Transfers in	79,422,152	79,422,152	751,656	73,014,927	73,766,583	(5,655,569)
Total other financing sources (uses)	79,422,152	79,422,152	811,163	72,955,420	73,766,583	(5,655,569)
Net change in fund balance	-	27,368	1,183,875	(2,592)	1,181,283	1,153,915
Fund balance at beginning of year	1,410,137	1,410,137	1,410,137	-	1,410,137	-
Fund balance at end of year	$ 1,410,137	$ 1,437,505	$ 2,594,012	$ (2,592)	$ 2,591,420	$ 1,153,915

Adjustments - Budgetary Basis are pass-through debt service payments budgeted as transfers in from enterprise and internal service funds.
Other Financing Sources (Uses) related to refunding are adjusted out as they are non-budgeted items reducing future debt service payments.


CITY
OF
DENTON

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Community Development Block Grant (CDBG) – to account for the operations of projects utilizing Community Development Block Grant Funds. Such revenues are restricted to expenditures for specified projects by the Department of Housing and Urban Development.

Criminal Justice – to account for revenue received from the State of Texas Criminal Justice Division and other grants administered by the police department.

Police Confiscation – to account for revenues received from confiscated goods. Expenditures are restricted to enhancing law enforcement.

Tourist and Convention – to account for taxes received from hotel and motel occupancy for the purpose of promoting tourism.

Street Improvement – to account for street maintenance and improvement activities.

Gas Well Revenues – to account for the receipt of royalty, pooling, tax, and lease revenue related to park gas wells.

Citizens' Park Trusts – to account for several small trust funds that are for park development.

All Other – to account for miscellaneous special revenue sources that are required to finance specific activities.

CITY OF DENTON, TEXAS **Exhibit XX**
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AS OF SEPTEMBER 30, 2025

	Special Revenue Funds				
	Community Development Block Grant	Criminal Justice	Police Confiscation	Tourist and Convention	Street Improvement
ASSETS					
Cash, cash equivalents and investments, at fair value	$ -	$ -	$ 1,266,258	$ 1,252,757	$ 5,650,440
Receivables (net of allowances):	-	-	-	-	-
Taxes	-	-	-	393,370	
Accrued interest	-	-	8,423	8,333	37,587
Other	-	-	-	-	-
Interfund receivables	-	-	-	-	1,285,663
Due from other governments	901,213	12,408	-	-	-
Total assets	$ 901,213	$ 12,408	$ 1,274,681	$ 1,654,460	$ 6,973,690
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable	175,753	-	-	71,910	768,186
Interfund payables	341,129	12,408	-		-
Retainage payable	-	-	-	-	-
Unearned revenues	-	-	-	-	-
Total liabilities	516,882	12,408	-	71,910	768,186
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenue - general services	-	-	-	-	-
Unavailable revenue - intergovernmental	169,670	-	-	-	-
Total deferred inflows of revenues	169,670	-	-	-	-
FUND BALANCES (DEFICIT):					
Restricted for:					
Parks and recreation	-	-	-	-	-
Streets and drainage projects	-	-	-	-	-
Other grants and purposes	214,661	-	1,274,681	1,582,550	-
Committed to:					
Streets	-	-	-	-	6,205,504
Parks and recreation	-	-	-	-	-
Other purposes	-	-	-	-	-
Assigned to:					
Other purposes	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balance (deficit)	214,661	-	1,274,681	1,582,550	6,205,504
Total liabilities, deferred inflows of resources, and fund balances (deficit)	$ 901,213	$ 12,408	$ 1,274,681	$ 1,654,460	$ 6,973,690

(continued on the following page)

CITY OF DENTON, TEXAS **Exhibit XX**
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (concluded)
AS OF SEPTEMBER 30, 2025

	Gas Well Revenues	Citizens' Park Trusts	All Other	Total Nonmajor Governmental Funds
ASSETS				
Cash, cash equivalents and investments, at fair value	$ 221,150	$ 16,893,257	$ 27,721,479	$ 53,005,341
Receivables (net of allowances):	-	-	-	-
Taxes	-		17,333	410,703
Accrued interest	1,471	112,374	178,770	346,958
Other	-	-	36,569	36,569
Interfund receivables	-	-	-	1,285,663
Due from other governments	-	-	2,070,620	2,984,241
Total assets	$ 222,621	$ 17,005,631	$ 30,024,771	$ 58,069,475
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	-	151,276	192,644	1,359,769
Interfund payables	-	-	-	353,537
Retainage payable	-	8,136	2,478	10,614
Unearned revenues	-	-	74,213	74,213
Total liabilities	-	159,412	269,335	1,798,133
DEFERRED INFLOWS OF RESOURCES:				
Unavailable revenue - general services	-	-	1,667,482	1,667,482
Unavailable revenue - intergovernmental	-	-	-	169,670
Total deferred inflows of revenues	-	-	1,667,482	1,837,152
FUND BALANCES (DEFICIT):				
Restricted for:				
Parks and recreation	-	16,846,219	172,654	17,018,873
Streets and drainage projects	-	-	12,396,304	12,396,304
Other grants and purposes	-	-	2,181,734	5,253,626
Committed to:				
Streets	-	-	-	6,205,504
Parks and recreation	222,621	-	-	222,621
Other purposes	-	-	14,943,783	14,943,783
Assigned to:				
Other purposes	-	-	1,010	1,010
Unassigned	-	-	(1,607,531)	(1,607,531)
Total fund balance (deficit)	222,621	16,846,219	28,087,954	54,434,190
Total liabilities, deferred inflows of resources, and fund balances (deficit)	$ 222,621	$ 17,005,631	$ 30,024,771	$ 58,069,475

(concluded)

CITY OF DENTON, TEXAS **Exhibit XXI**
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Special Revenue Funds				
	Community Development Block Grant	Criminal Justice	Police Confiscation	Tourist and Convention	Street Improvement
REVENUES:					
Tax revenue	$ -	$ -	$ -	$ 3,319,923	$ -
Franchise fees	-	-	-	-	16,300,000
Fines and forfeitures	-	-	182,168	-	-
Fees for services	-	-	-	-	-
Investment revenue	-	-	64,997	67,636	219,857
Intergovernmental	1,968,311	227,360	-	-	-
Miscellaneous	57,607	-	51,593	-	14,500
Total revenues	2,025,918	227,360	298,758	3,387,559	16,534,357
EXPENDITURES:					
Current:					
General government	2,150,946	-	-	3,033,853	-
Public safety	-	74,516	499,456	-	-
Public works	-	-	-	-	9,582,870
Parks and recreation	-	-	-	-	-
Capital outlay	-	-	146,119	-	-
Total expenditures	2,150,946	74,516	645,575	3,033,853	9,582,870
Excess (deficiency) of revenues over (under) expenditures	(125,028)	152,844	(346,817)	353,706	6,951,487
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	2,126,082
Transfers out	-	-	-	(250,000)	(7,262,849)
Total other financing sources (uses)	-	-	-	(250,000)	(5,136,767)
Net change in fund balances	(125,028)	152,844	(346,817)	103,706	1,814,720
Fund balance, beginning of year	339,689	(152,844)	1,621,498	1,478,844	4,390,784
Fund balance at end of year	$ 214,661	$ -	$ 1,274,681	$ 1,582,550	$ 6,205,504

(continued on the following page)

CITY OF DENTON, TEXAS **Exhibit XXI**
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (concluded)
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Gas Well Revenues	Citizens' Park Trusts	All Other	Recreation Fund	
REVENUES:					
Tax revenue	$ -	$ -	$ 2,226,189	$ -	$ 5,546,112
Franchise fees	-	-	-	-	16,300,000
Fines and forfeitures	-	-	-	-	182,168
Fees for services	23,485	4,803,969	210,570	-	5,038,024
Investment revenue	8,438	586,017	1,273,618	-	2,220,563
Intergovernmental	-	-	5,416,467	-	7,612,138
Miscellaneous	-	-	6,796,418	-	6,920,118
Total revenues	31,923	5,389,986	15,923,262	-	43,819,123
EXPENDITURES:					
Current:					
General government	-	-	5,225,878	-	10,410,677
Public safety	-	-	4,120,652	-	4,694,624
Public works	-	-	49,250	-	9,632,120
Parks and recreation	-	36,694	535,979	-	572,673
Capital outlay	-	1,259,364	433,722	-	1,839,205
Total expenditures	-	1,296,058	10,365,481	-	27,149,299
Excess (deficiency) of revenues over (under) expenditures	31,923	4,093,928	5,557,781	-	16,669,824
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	2,126,082
Transfers out	-	-	(5,707,329)	-	(13,220,178)
Total other financing sources (uses)	-	-	(5,707,329)	-	(11,094,096)
Net change in fund balances	31,923	4,093,928	(149,548)	-	5,575,728
Fund balance, beginning of year	190,698	12,752,291	28,237,502	-	48,858,462
Fund balance at end of year	$ 222,621	$ 16,846,219	$ 28,087,954	$ -	$ 54,434,190

(concluded)

CITY OF DENTON, TEXAS **Exhibit XXII**
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
SPECIAL REVENUE FUNDS: POLICE CONFISCATION FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Budgeted Amounts		Actual	Adjustments - Budgetary	Actual on a Budgetary	Variance with Final Budget - Positive
	Original	Final	Amounts	Basis	Basis	(Negative)
REVENUES:						
Fines and forfeitures	$ -	$ -	$ 182,168	$ -	$ 182,168	$ 182,168
Investment revenue	-	-	64,997	-	64,997	64,997
Miscellaneous	-	-	51,593	-	51,593	51,593
Total revenues	-	-	298,758	-	298,758	298,758
EXPENDITURES:						
Current:						
Public safety	500,000	500,000	499,456	-	499,456	544
Capital outlay	-	-	146,119	-	146,119	(146,119)
Total expenditures	500,000	500,000	645,575	-	645,575	(145,575)
OTHER FINANCING SOURCES (USES):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources	-	-	-	-	-	-
Net change in fund balance	(500,000)	(500,000)	(346,817)	-	(346,817)	153,183
Fund balance at beginning of year	1,621,498	1,621,498	1,621,498	-	1,621,498	-
Fund balance at end of year	$ 1,121,498	$ 1,121,498	$ 1,274,681	$ -	$ 1,274,681	$ 153,183

CITY OF DENTON, TEXAS **Exhibit XXIII**
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
SPECIAL REVENUE FUNDS: TOURIST AND CONVENTION FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Budgeted Amounts		Actual	Adjustments - Budgetary	Actual on a Budgetary	Variance with Final Budget - Positive
	Original	Final	Amounts	Basis	Basis	(Negative)
REVENUES:						
Taxes	$ 4,019,349	$ 4,019,349	$ 3,319,923	$ -	$ 3,319,923	$ (699,426)
Investment revenue (loss)	25,000	25,000	67,636	-	67,636	42,636
Total revenues	4,044,349	4,044,349	3,387,559	-	3,387,559	(656,790)
EXPENDITURES:						
Current:						
General government	2,725,504	6,136,704	3,033,853	-	3,033,853	3,102,851
Total expenditures	2,725,504	6,136,704	3,033,853	-	3,033,853	3,102,851
Excess (deficit) of revenues over (under) expenditures	1,318,845	(2,092,355)	353,706	-	353,706	2,446,061
OTHER FINANCING SOURCES (USES):						
Transfers out	(1,810,600)	1,600,600	(250,000)	-	(250,000)	(1,850,600)
Total other financing sources (uses)	(1,810,600)	1,600,600	(250,000)	-	(250,000)	(1,850,600)
Net change in fund balance	(491,755)	(491,755)	103,706	-	103,706	595,461
Fund balance at beginning of year	1,478,844	1,478,844	1,478,844	-	1,478,844	-
Fund balance at end of year	$ 987,089	$ 987,089	$ 1,582,550	$ -	$ 1,582,550	$ 595,461

CITY OF DENTON, TEXAS **Exhibit XXIV**
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
SPECIAL REVENUE FUNDS: STREET IMPROVEMENT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Budgeted Amounts		Actual	Adjustments - Budgetary	Actual on a Budgetary	Variance with Final Budget - Positive
	Original	Final	Amounts	Basis	Basis	(Negative)
REVENUES:						
Franchise fees	$ 16,300,000	$ 16,300,000	$ 16,300,000	$ -	$ 16,300,000	$ -
Fees for services	-	-	-	-	-	-
Investment revenue (loss)	100,000	100,000	219,857	-	219,857	119,857
Miscellaneous	10,000	10,000	14,500	-	14,500	4,500
Total revenues	16,410,000	16,410,000	16,534,357	-	16,534,357	124,357
EXPENDITURES:						
Current:						
Public Works	11,639,423	10,936,574	9,582,870	(1,269,706)	8,313,164	2,623,410
Debt service:						
Principal retirement	-	-	-	-	-	-
Total expenditures	11,639,423	10,936,574	9,582,870	(1,269,706)	8,313,164	2,623,410
Excess (deficit) of revenues over (under) expenditures	4,770,577	5,473,426	6,951,487	1,269,706	8,221,193	2,747,767
OTHER FINANCING SOURCES (USES):						
Sale of Assets	-	-	-	-	-	-
Transfers in	3,699,714	3,699,714	2,126,082	-	2,126,082	(1,573,632)
Transfers out	(8,893,212)	(9,596,061)	(7,262,849)	(1,269,706)	(8,532,555)	1,063,506
Total other financing sources (uses)	(5,193,498)	(5,896,347)	(5,136,767)	(1,269,706)	(6,406,473)	(510,126)
Net change in fund balance	(422,921)	(422,921)	1,814,720	-	1,814,720	2,237,641
Fund balance at beginning of year	4,390,784	4,390,784	4,390,784	-	4,390,784	-
Fund balance at end of year	$ 3,967,863	$ 3,967,863	$ 6,205,504	$ -	$ 6,205,504	$ 2,237,641

Adjustments - Budgetary Basis are expenditures allocated from and reimbursed to other funds. These expenditures are recorded as operating expenditures but budgeted as cost of service transfers.

CITY OF DENTON, TEXAS **Exhibit XXV**
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
SPECIAL REVENUE FUNDS: GAS WELL REVENUES FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Budgeted Amounts		Actual	Adjustments - Budgetary	Actual on a Budgetary	Variance with Final Budget - Positive
	Original	Final	Amounts	Basis	Basis	(Negative)
REVENUES:						
Fees for service	$ 70,000	$ 70,000	$ 23,485	$ -	$ 23,485	$ (46,515)
Investment revenue	-	-	8,438	-	8,438	8,438
Total revenues	70,000	70,000	31,923	-	31,923	(38,077)
Excess of revenues over expenditures	70,000	70,000	31,923	-	31,923	(38,077)
OTHER FINANCING USES:						
Transfers out	(70,000)	(70,000)	-	-	-	70,000
Total other financing uses	(70,000)	(70,000)	-	-	-	70,000
Net change in fund balance	-	-	31,923	-	31,923	31,923
Fund balance at beginning of year	190,698	190,698	190,698	-	190,698	-
Fund balance at end of year	$ 190,698	$ 190,698	$ 222,621	$ -	$ 222,621	$ 31,923

CITY OF DENTON, TEXAS **Exhibit XXVI**
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
SPECIAL REVENUE FUNDS: CITIZENS' PARK TRUSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Budgeted Amounts		Actual	Adjustments - Budgetary	Actual on a Budgetary	Variance with Final Budget - Positive
	Original	Final	Amounts	Basis	Basis	(Negative)
REVENUES:						
Fees for service	$ 4,000,000	$ 4,000,000	$ 4,803,969	$ -	$ 4,803,969	$ 803,969
Investment revenue (loss)	375,000	375,000	586,017	-	586,017	211,017
Total revenues	4,375,000	4,375,000	5,389,986	-	5,389,986	1,014,986
EXPENDITURES:						
Current:						
Parks and recreation	2,000,000	2,000,000	36,694	-	36,694	1,963,306
Capital outlay	-	-	1,259,364	-	1,259,364	(1,259,364)
Total expenditures	2,000,000	2,000,000	1,296,058	-	1,296,058	703,942
Net change in fund balance	2,375,000	2,375,000	4,093,928	-	4,093,928	1,718,928
Fund balance at beginning of year	12,752,291	12,752,291	12,752,291		12,752,291	-
Fund balance at end of year	$ 15,127,291	$ 15,127,291	$ 16,846,219	$ -	$ 16,846,219	$ 1,718,928

INTERNAL SERVICE FUNDS

Internal Service Funds account for the financing of goods or services provided by one department for another.

The City has the following Internal Service Funds:

Materials Management Fund – to account for the financing of goods and services provided by the Materials Management operations of purchasing and warehouse to other City departments. Purchasing is responsible for procuring goods and services for City departments, and the warehouse maintains an inventory of materials and supplies used by City departments. Warehouse items are billed to other departments.

Fleet Services Fund – to account for the financing of goods and services provided by the Municipal Garage and Machine Shop to other City departments. Municipal Garage and Machine Shop billings include cost of parts and labor and administrative charges. Actual costs include depreciation on the building, improvements, machinery, and equipment used to provide the service.

Health Insurance Fund – to account for the accumulation of resources for the self-insurance activities of the City for employee medical insurance as well as other employee insurance benefits including long-term disability, short-term disability, dental insurance, and vision insurance.

Risk Retention Fund – to account for the accumulation of resources for the payment of activities associated with providing general liability insurance coverage and self-funded activities for City operations.

Technology Services Fund – to account for the accumulation of resources to provide computer services such as programming, support, training, maintenance, and office services to City departments.

Engineering Services Fund – to account for providing engineering, real estate, public works inspection, and development review services primarily to internal City departments although some services are provided to external entities.

Customer Service Fund – to account for providing customer service activities to residents and businesses for City departments. Services include bill pay, utility service requests, connect/disconnect services, maintenance of customer accounts, utility billing, operator calls, collections, accounts receivable, and cash handling.

Facilities Fund – to account for the maintenance of all city-owned facilities and vertical construction projects.

Environmental Services Fund – to account for the consolidated environmental-related services provided across the City.

CITY OF DENTON, TEXAS **Exhibit XXVII**
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
AS OF SEPTEMBER 30, 2025

	Materials Management Fund	Fleet Services Fund	Health Insurance Fund	Risk Retention Fund	Technology Services Fund
ASSETS:					
Current assets:					
Cash, cash equivalents and investments, at fair value	$ 120,554	$ 56,622	$ 2,736,678	$ 2,171,242	$ 3,869,827
Receivables, net of allowances:					
Accrued interest	-	392	18,204	14,443	25,742
Other	-	-	-	282,174	1,017,864
Interfund receivables	-	-	-	-	-
Merchandise inventory	26,117,323	111,900	-	-	-
Prepaid items	6,606	-	-	-	-
Debt issuance costs	-	-	-	-	-
Total current assets	26,244,483	168,914	2,754,882	2,467,859	4,913,433
Noncurrent assets:					
Restricted assets:					
Cash, cash equivalents and investments, at fair value	-	5,506,201	-	-	6,874,249
Accrued interest	-	36,627	-	-	45,727
Escrow deposit	-	-	234,000	10,000	-
Lease assets, net of accumulated amortization	-	-	94,014	-	-
Right-to-use assets, net of accumulated amortization	89,721	1,743,364	-	-	4,014,386
Capital assets, net of accumulated depreciation	793,832	11,083,863	-	-	6,204,582
Total noncurrent assets	883,553	18,370,055	328,014	10,000	17,138,944
Total assets	27,128,036	18,538,969	3,082,896	2,477,859	22,052,377
DEFERRED OUTFLOWS OF RESOURCES:					
Deferred charges on refunding	-	-	-	-	-
Deferred pension balances	282,751	298,291	-	143,724	924,997
Deferred other post employment benefits balances	80,904	95,329	-	37,214	199,949
Total deferred outflows of resources	363,655	393,620	-	180,938	1,124,946
LIABILITIES:					
Current liabilities:					
Accounts payable	595,934	592,873	13,251	111,389	824,367
Retainage payable	-	29,459	-	-	-
Claims payable	-	-	2,183,108	821,345	-
Compensated absences payable	258,019	342,373	-	42,252	905,177
Other post employment benefits	16,151	18,642	-	4,726	41,926
Deposits	-	-	-	-	-
Leases payable					
Accrued interest	175	63,786	-	-	159,908
Interfund payables	25,000,000	-	-	-	-
Right-to-use liability		1,084,398	-	-	2,613,044
Payable from restricted assets:					
Accounts payable	-	-	-	-	4,366
Retainage payable	-	-	-	-	-
Interfund payables	-	-	-	-	-
Certificate and general obligation bonds	-	685,826	-	-	888,087
Total current liabilities	25,870,279	2,817,357	2,196,359	979,712	5,436,875
Noncurrent liabilities:					
Leases payable	-	-	95,481	-	-
Right-to-use liability	64,471	342,642	-	-	681,093
Payable from restricted assets:	-	-	-	-	-
General obligation bonds payable	-	-	-	-	-
Certificates of obligation	-	10,414,372	-	-	8,686,955
Compensated absences payable	6,195	128,873	-	9,406	120,569
Claims payable	-	-	-	6,392,399	-
Net pension liability	902,725	1,070,488	-	574,370	2,830,029
Total other post-employment benefits liability	758,093	817,993	-	381,885	1,780,951
Total noncurrent liabilities:	1,731,484	12,774,368	95,481	7,358,060	14,099,597
Total liabilities	27,601,763	15,591,725	2,291,840	8,337,772	19,536,472
DEFERRED INFLOWS OF RESOURCES:					
Deferred inflows - leases	-	-	-	-	898,062
Deferred pension balances	-	-	-	-	-
Deferred other post employment benefits balances	145,471	165,381	-	49,643	352,532
Total deferred inflows of resources	145,471	165,381	-	49,643	1,250,594
NET POSITION:					
Net investment in capital assets	819,082	5,806,190	(1,467)	-	4,219,672
Restricted for capital acquisition	-	-	-	-	-
Unrestricted	(1,074,625)	(2,630,707)	792,523	(5,728,618)	(1,829,415)
Total net position	$ (255,543)	$ 3,175,483	$ 791,056	$ (5,728,618)	$ 2,390,257

(continued on the following page)

CITY OF DENTON, TEXAS **Exhibit XXVII**
COMBINING STATEMENT OF NET POSITION (concluded)
INTERNAL SERVICE FUNDS
AS OF SEPTEMBER 30, 2025

	Engineering Services Fund	Customer Service Fund	Facilities Fund	Environmental Services Fund	Total Internal Service Funds
ASSETS:					
Current assets:					
Cash, cash equivalents and investments, at fair value	$ 589,564	$ 1,357,402	$ 280,947	$ 890,647	$ 12,073,483
Receivables, net of allowances:					
Accrued interest	3,922	8,999	1,869	5,961	79,532
Other	571,956	-	-	-	1,871,994
Interfund receivables	-	-	-	-	-
Merchandise inventory	-	-	-	-	26,229,223
Prepaid items	-	-	-	-	6,606
Debt issuance costs	-	-	-	-	-
Total current assets	1,165,442	1,366,401	282,816	896,608	40,260,838
Noncurrent assets:					
Restricted assets:					
Cash, cash equivalents and investments, at fair value	-	349	-	-	12,380,799
Accrued interest	-	2	-	-	82,356
Escrow deposit	-	-	-	-	244,000
Lease assets, net of accumulated amortization	-	-	-	-	94,014
Right-to-use assets, net of accumulated amortization	95,942	573,540	796,051	-	7,313,004
Capital assets, net of accumulated depreciation	9,057	466,093	1,006,938	59,923	19,624,288
Total noncurrent assets	104,999	1,039,984	1,802,989	59,923	39,738,461
Total assets	1,270,441	2,406,385	2,085,805	956,531	79,999,299
DEFERRED OUTFLOWS OF RESOURCES:					
Deferred charges on refunding	-	-	-	-	-
Deferred pension balances	670,224	577,186	175,766	831,823	3,904,762
Deferred other post employment benefits balances	151,425	134,205	66,204	113,613	878,843
Total deferred outflows of resources	821,649	711,391	241,970	945,436	4,783,605
LIABILITIES:					
Current liabilities:					
Accounts payable	624,214	732,732	267,428	253,997	4,016,185
Retainage payable	-	-	-	-	29,459
Claims payable	-	-	-	-	3,004,453
Compensated absences payable	552,776	619,176	221,733	363,068	3,304,574
Other post employment benefits	32,669	37,758	3,769	22,396	178,037
Deposits	145,945	-	-	-	145,945
Leases payable					-
Accrued interest	-	37,525	21,179	-	282,573
Interfund payables	3,490,454	-	-	-	28,490,454
Right-to-use liability	-	-	563,130	-	4,260,572
Payable from restricted assets:					
Accounts payable	-	-	-	-	4,366
Retainage payable	-	-	-	-	-
Interfund payables	-	-	-	-	-
Certificate and general obligation bonds	-	149,461	-	-	1,723,374
Total current liabilities	4,846,058	1,576,652	1,077,239	639,461	45,439,992
Noncurrent liabilities:					
Leases payable	-	-	-	-	95,481
Right-to-use liability	2,000	603,665	159,599	-	1,853,470
Payable from restricted assets:	-	-	-	-	-
General obligation bonds payable	-	-	-	-	-
Certificates of obligation	-	939,915	-	-	20,041,242
Compensated absences payable	34,116	42,795	18,355		360,309
Claims payable	-	-	-	-	6,392,399
Net pension liability	2,167,858	1,987,620	924,986	3,011,403	13,469,479
Total other post-employment benefits liability	1,238,199	1,215,582	517,866	844,164	7,554,733
Total noncurrent liabilities:	3,442,173	4,789,577	1,620,806	3,855,567	49,767,113
Total liabilities	8,288,231	6,366,229	2,698,045	4,495,028	95,207,105
DEFERRED INFLOWS OF RESOURCES:					
Deferred inflows - leases	-	-	-	-	898,062
Deferred pension balances	-	-	-	-	-
Deferred other post employment benefits balances	270,051	276,240	64,724	174,419	1,498,461
Total deferred inflows of resources	270,051	276,240	64,724	174,419	2,396,523
NET POSITION:					
Net investment in capital assets	102,999	(653,059)	1,080,260	59,923	11,433,600
Restricted for capital acquisition	-	-	-	-	-
Unrestricted	(6,569,191)	(2,871,634)	(1,515,254)	(2,827,403)	(24,254,324)
Total net position	$ (6,466,192)	$ (3,524,693)	$ (434,994)	$ (2,767,480)	$ (12,820,724)

(concluded)

CITY OF DENTON, TEXAS **Exhibit XXVIII**
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Materials Management Fund	Fleet Services Fund	Health Insurance Fund	Risk Retention Fund	Technology Services Fund
OPERATING REVENUES:					
Charges for goods and services	$ 15,647,631	$ 16,587,590	$ 35,386,453	$ 6,236,385	$ 22,697,584
Miscellaneous	134,507	9,953	3,890,954	974,850	166,981
Total operating revenues	15,782,138	16,597,543	39,277,407	7,211,235	22,864,565
OPERATING EXPENSES:					
Operating expenses before depreciation and amortization	15,908,687	15,556,542	39,458,769	8,574,745	19,809,619
Depreciation and amortization	41,805	288,311	-	-	4,331,344
Total operating expenses	15,950,492	15,844,853	39,458,769	8,574,745	24,140,963
Operating income (loss)	(168,354)	752,690	(181,362)	(1,363,510)	(1,276,398)
NONOPERATING REVENUES (EXPENSES):					
Investment revenue (loss)	22,568	222,968	116,400	113,433	425,369
Interest expense and fiscal charges	(3,380)	(351,765)	2,148	-	(526,763)
Gain on disposal of capital assets	-	5,000	-	-	3,950
Other non-operating expenses	-	(102,665)	845	-	-
Total non-operating revenues (expenses)	19,188	(226,462)	119,393	113,433	(97,444)
Income (loss) before contributions and transfers	(149,166)	526,228	(61,969)	(1,250,077)	(1,373,842)
Capital contributions	-	-	-	-	30,000
Transfers in	-		-	-	-
Transfers out	-	(77,589)	-	(115,749)	-
Total contributions and transfers	-	(77,589)	-	(115,749)	30,000
Change in net position	(149,166)	448,639	(61,969)	(1,365,826)	(1,343,842)
Net position at beginning of year	(106,377)	2,726,844	853,025	(4,362,792)	3,734,099
Total net position at end of year	$ (255,543)	$ 3,175,483	$ 791,056	$ (5,728,618)	$ 2,390,257

(continued on the following page)

CITY OF DENTON, TEXAS **Exhibit XXVIII**
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION (concluded)
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Engineering Services Fund	Customer Service Fund	Facilities Fund	Environmental Services Fund	Total Internal Service Funds
OPERATING REVENUES:					
Charges for goods and services	$ 7,809,235	$ 10,729,422	$ 7,269,189	$ 5,436,714	$ 127,800,203
Miscellaneous	-	-	325	-	5,177,570
Total operating revenues	7,809,235	10,729,422	7,269,514	5,436,714	132,977,773
OPERATING EXPENSES:					
Operating expenses before depreciation and amortization	10,984,986	10,547,433	7,279,673	5,370,594	133,491,048
Depreciation and amortization	276,526	958,058	302,672	8,046	6,206,762
Total operating expenses	11,261,512	11,505,491	7,582,345	5,378,640	139,697,810
Operating income (loss)	(3,452,277)	(776,069)	(312,831)	58,074	(6,720,037)
NONOPERATING REVENUES (EXPENSES):					
Investment revenue (loss)	4,702	371,653	40,224	42,583	1,359,900
Interest expense and fiscal charges	(181)	(132,720)	(21,785)	-	(1,034,446)
Gain on disposal of capital assets	6,000	(1,068,096)	17,500	-	(1,035,646)
Other non-operating expenses	2,463	-	-	-	(99,357)
Total non-operating revenues (expenses)	12,984	(829,163)	35,939	42,583	(809,549)
Income (loss) before contributions and transfers	(3,439,293)	(1,605,232)	(276,892)	100,657	(7,529,586)
Capital contributions	-	-	-	-	30,000
Transfers in	-	-	-	67,970	67,970
Transfers out	(132,675)	-	-	(12,000)	(338,013)
Total contributions and transfers	(132,675)	-	-	55,970	(240,043)
Change in net position	(3,571,968)	(1,605,232)	(276,892)	156,627	(7,769,629)
Net position at beginning of year	(2,894,224)	(1,919,461)	(158,102)	(2,924,107)	(5,051,095)
Total net position at end of year	$ (6,466,192)	$ (3,524,693)	$ (434,994)	$ (2,767,480)	$ (12,820,724)

(concluded)

CITY OF DENTON, TEXAS **Exhibit XXIX**
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

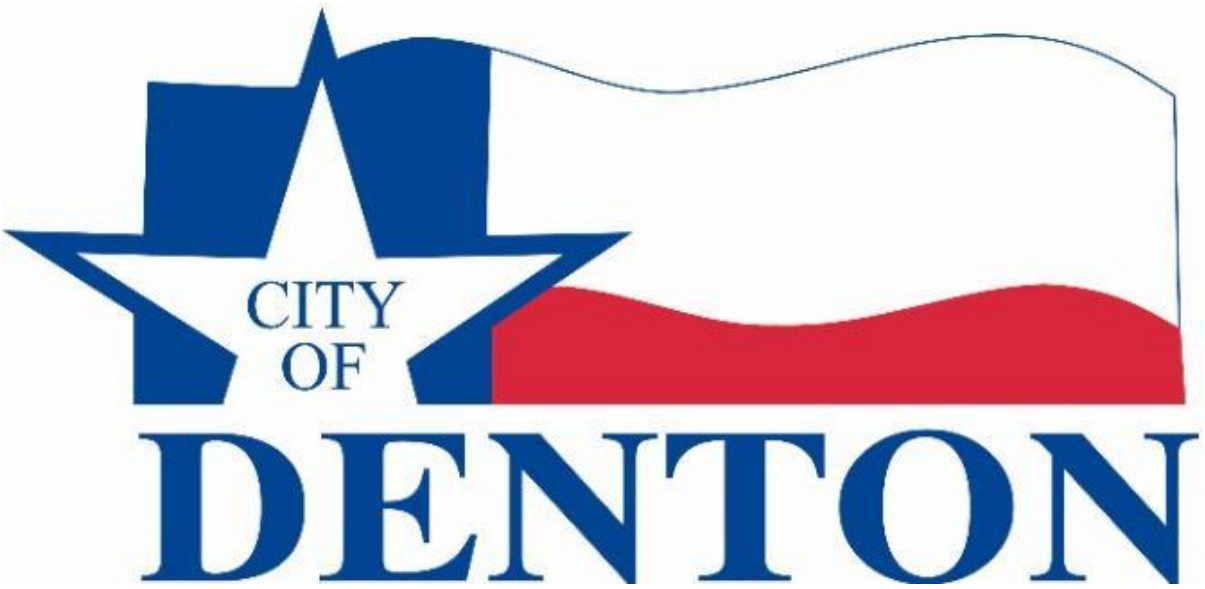
	Materials Management Fund	Fleet Services Fund	Health Insurance Fund	Risk Retention Fund	Technology Services Fund
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from customers	$ 15,782,138	$ 16,597,543	$ 39,277,407	$ 6,929,061	$ 22,847,013
Cash paid to employees for services	(2,532,646)	(3,572,690)	-	(1,652,008)	(9,874,050)
Cash paid to suppliers	(13,659,060)	(12,257,254)	(40,617,476)	(6,250,979)	(10,279,046)
Net cash provided (used) by operations	(409,568)	767,599	(1,340,069)	(973,926)	2,693,917
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfers out	-	(77,589)	-	(115,749)	-
Transfers in	-	-	-	-	-
Net cash provided (used) by noncapital financing activities	-	(77,589)	-	(115,749)	-
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:					
Principal payments on capital debt	-	2,788,768	-	-	(625,000)
Interest and fiscal charges	(3,227)	(344,932)	-	-	(436,664)
Principal payments under capital lease obligation	-	-	-	-	-
Proceeds from lease financing	-	-	2,993	-	-
Proceeds from issuance of debt	-	(2,360,000)	-	-	1,650,000
Proceeds from capital contributions and transfers in	-	-	-	-	30,000
Proceeds from the sale of fixed assets	-	5,000	-	-	3,950
Acquisition of lease assets	-	-	-	-	-
Lease liability	-	-	(78,205)	-	-
Acquisition of Right-to-use assets	(28,754)	(316,324)	75,212	-	(2,599,746)
Acquisition and construction of capital assets	(35,702)	(1,045,668)	-	-	(2,352,286)
Net cash provided (used) by capital financing activities	(67,683)	(1,273,156)	-	-	(4,329,746)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Proceeds from sale and maturities of investment securities	(610)	2,726,216	634,091	1,850,391	5,230,586
Purchase of investment securities	-	(2,709,669)	-	(1,344,101)	(4,888,967)
Interest received on investments	23,178	227,577	121,889	117,820	436,578
Net cash provided (used) by investing activities	22,568	244,124	755,980	624,110	778,197
Net increase (decrease) in cash and cash equivalents	(454,683)	(339,022)	(584,089)	(465,565)	(857,632)
Cash and cash equivalents at beginning of year	575,237	2,380,747	1,589,243	1,263,041	4,803,822
Cash and cash equivalents at end of year	120,554	2,041,725	1,005,154	797,476	3,946,190
Investments, at fair value	-	3,521,098	1,731,524	1,373,766	6,797,886
Cash, cash equivalents and investments, at fair value	$ 120,554	$ 5,562,823	$ 2,736,678	$ 2,171,242	$ 10,744,076
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Operating income (loss)	$ (168,354)	$ 752,690	$ (181,362)	$ (1,363,510)	$ (1,276,398)
Adjustments:					
Depreciation and Amortization expense	41,805	288,311	-	-	4,331,344
Decrease (Increase) in receivables	-	-	-	(282,174)	79,799
Decrease (Increase) in interfund receivables	-	-	-	-	-
Decrease (Increase) in inventories	(3,257,229)	(22,709)	-	-	-
Decrease (Increase) in customer deposits	-	-	-	-	-
Decrease (Increase) in prepaid items	4,574	-	-	-	-
Increase in escrow deposits items	-	-	-	-	-
Increase (Decrease) in accounts payable	180,429	(555,208)	(1,158,707)	657,001	(960,924)
Increase (Decrease) in compensated absences	158,519	261,627	-	(2,409)	451,808
Increase in interfund payables	2,600,000	-	-	-	-
Increase in net pension balances	9,219	13,030	-	6,179	104,293
Increase in other post-employment benefit balances	21,469	29,858	-	10,987	61,347
Increase (Decrease) in lease deferred inflows	-	-	-	-	(97,352)
Total adjustments	(241,214)	14,909	(1,158,707)	389,584	3,970,315
Net cash provided (used) by operating activities	$ (409,568)	$ 767,599	$ (1,340,069)	$ (973,926)	$ 2,693,917
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:					
Increase (Decrease) in fair value of investments	-	(8,643)	(7,884)	(6,274)	(18,488)
Increase (Decrease) in equity due to non-cash transfers	-	-	-	-	-
Capital asset contributions	-	-	-	-	30,000
Right-to-use assets acquired through lease and SBITA Liabilities	-	-	-	-	2,246,804

(continued on the following page)

CITY OF DENTON, TEXAS **Exhibit XXIX**
COMBINING STATEMENT OF CASH FLOWS (concluded)
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Engineering Services Fund	Customer Service Fund	Facilities Fund	Environmental Services Fund	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from customers	$ 7,511,365	$ 10,729,420	$ 7,269,514	$ 5,436,714	$ 132,380,175
Cash paid to employees for services	(5,355,122)	(5,372,732)	(2,624,364)	(3,262,866)	$ (34,246,478)
Cash paid to suppliers	(2,003,434)	(4,519,812)	(4,791,126)	(1,813,248)	$ (96,191,435)
Net cash provided (used) by operations	152,809	836,876	(145,976)	360,600	1,942,262
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfers out	(132,675)	-	-	(12,000)	(338,013)
Transfers in	-	-	-	67,970	67,970
Net cash provided (used) by noncapital financing activities	(132,675)	-	-	55,970	(270,043)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:					
Principal payments on capital debt	-	(53,445)	-	-	2,110,323
Interest and fiscal charges	(181)	(103,730)	(606)	-	(889,340)
Principal payments under capital lease obligation	-	-	-	-	-
Proceeds from lease financing	-	-	-	-	2,993
Proceeds from issuance of debt	-	-	-	-	(710,000)
Proceeds from capital contributions and transfers in	-	-	-	-	30,000
Proceeds from the sale of fixed assets	(259,339)	-	17,500	-	(232,889)
Acquisition of lease assets	-	-	-	-	-
Lease liability	-	-	-	-	(78,205)
Acquisition of Right-to-use assets	-	(729,509)	56,070	-	(3,543,051)
Acquisition and construction of capital assets	-	(542,042)	(227,635)	(67,969)	(4,271,302)
Net cash provided (used) by capital financing activities	(259,520)	(1,428,726)	(154,671)	(67,969)	(7,581,471)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Proceeds from sale and maturities of investment securities	119,400	(4,031,561)	550,394	239,396	7,318,303
Purchase of investment securities	-	4,107,034	(406,151)	(507,036)	(5,748,890)
Interest received on investments	5,712	381,298	42,595	40,813	1,397,460
Net cash provided (used) by investing activities	125,112	456,771	186,838	(226,827)	2,966,873
Net increase (decrease) in cash and cash equivalents	(114,274)	(135,079)	(113,809)	121,774	(2,942,379)
Cash and cash equivalents at beginning of year	330,815	636,614	216,998	201,893	11,998,410
Cash and cash equivalents at end of year	216,541	501,535	103,189	323,667	9,056,031
Investments, at fair value	373,023	856,216	177,758	566,980	15,398,251
Cash, cash equivalents and investments, at fair value	$ 589,564	$ 1,357,751	$ 280,947	$ 890,647	$ 24,454,282
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Operating income (loss)	$ (3,452,277)	$ (776,069)	$ (312,831)	$ 58,074	$ (6,720,037)
Adjustments:					
Depreciation and Amortization expense	276,526	958,058	302,672	8,046	6,206,762
Decrease (Increase) in receivables	200,636	-	-	-	(1,739)
Decrease (Increase) in interfund receivables	-	-	-	-	-
Decrease (Increase) in inventories	-	-	-	-	(3,279,938)
Decrease (Increase) in customer deposits	-	-	-	-	-
Decrease (Increase) in prepaid items	-	-	-	-	4,574
Increase in escrow deposits items	-	-	-	-	-
Increase (Decrease) in accounts payable	3,280,729	139,327	(289,049)	27,493	1,321,091
Increase (Decrease) in compensated absences	272,912	440,973	145,798	206,435	1,935,663
Increase in interfund payables	(498,506)	-	-	-	2,101,494
Increase in net pension balances	(72,078)	57,022	9,781	11,587	139,033
Increase in other post-employment benefit balances	144,867	17,565	(2,347)	48,965	332,711
Increase (Decrease) in lease deferred inflows	-	-	-	-	(97,352)
Total adjustments	3,605,086	1,612,945	166,855	302,526	8,662,299
Net cash provided (used) by operating activities	$ 152,809	$ 836,876	$ (145,976)	$ 360,600	$ 1,942,262
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:					
Increase (Decrease) in fair value of investments	(1,598)	(2,563)	(1,277)	183	(46,544)
Increase (Decrease) in equity due to non-cash transfers	-	-	-	-	-
Capital asset contributions	-	-	-	-	30,000
Right-to-use assets acquired through lease and SBITA Liabilities	267,802	1,333,174	894,293	-	4,742,073

(concluded)


CITY
OF
DENTON

STATISTICAL SECTION

This part of the City of Denton's annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the city's overall financial health.

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the city's financial performance and well-being have changed over time. (Tables 1 – 4)

Revenue Capacity

These schedules contain information to help the reader assess the city's most significant local revenue source, the property tax. These tables do not include the Electric fund information due to confidentiality of information necessary for competitive rates. (Tables 5 – 8)

Debt Capacity

These schedules present information to help the reader assess the affordability of the city's current level of outstanding debt and the city's ability to issue additional debt in the future. (Tables 9 – 12)

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place. (Tables 13 – 14)

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the city's financial report relates to the services the city provides and the activities it performs. (Tables 15 – 17)

Sources: Unless otherwise noted, the information in these schedules is derived from the annual comprehensive financial reports for the relevant year.

CITY OF DENTON, TEXAS **Table 1**
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	2016	2017	2018	2019	2020
Governmental activities					
Net investment in capital assets	$ 145,309,987	$ 165,408,284	$ 194,210,730	$ 242,957,674	$ 288,548,831
Restricted	13,736,624	14,530,908	21,654,948	30,348,748	29,974,236
Unrestricted	(3,620,580)	(6,509,698)	(19,332,607)	(39,525,390)	(36,726,698)
Total governmental activities net position	155,426,031	173,429,494	196,533,071	233,781,032	281,796,369
Business-type activities					
Net investment in capital assets	460,330,063	502,801,204	540,697,505	589,492,414	661,996,500
Restricted	8,892,547	11,516,207	20,209,408	32,678,917	38,024,525
Unrestricted	151,234,604	145,191,889	177,836,401	173,355,308	162,312,209
Total business-type activities net position	620,457,214	659,509,300	738,743,314	795,526,639	862,333,234
Primary government					
Net investment in capital assets	605,640,050	668,209,488	734,908,235	832,450,088	950,545,331
Restricted	22,629,171	26,047,115	41,864,356	63,027,665	67,998,761
Unrestricted	147,614,024	138,682,191	158,503,794	133,829,918	125,585,511
Total primary government net position	$ 775,883,245	$ 832,938,794	$ 935,276,385	$ 1,029,307,671	$ 1,144,129,603

(continued on the following page)

Source: Annual Comprehensive Financial Reports

CITY OF DENTON, TEXAS **Table 1**
NET POSITION BY COMPONENT (concluded)
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	2021	2022	2023	2024	2025
Governmental activities					
Net investment in capital assets	$ 324,398,859	$ 368,485,279	$ 394,899,297	$ 444,564,361	502,427,544
Restricted	31,847,883	35,792,764	42,215,668	44,845,200	49,801,460
Unrestricted	(27,553,444)	2,815,218	9,172,313	12,734,966	16,474,505
Total governmental activities net position	328,693,298	407,093,261	446,287,278	502,144,527	568,703,509
Business-type activities					
Net investment in capital assets	716,242,869	773,134,073	820,950,533	884,537,640	960,266,998
Restricted	47,267,201	73,714,031	95,817,087	119,995,788	157,059,753
Unrestricted	183,575,000	219,065,186	186,026,842	168,790,588	166,007,876
Total business-type activities net position	947,085,070	1,065,913,290	1,102,794,462	1,173,324,016	1,283,334,627
Primary government					
Net investment in capital assets	1,040,641,728	1,141,619,352	1,215,849,830	1,329,102,001	1,462,694,542
Restricted	79,115,084	109,506,795	138,032,755	164,840,988	206,861,213
Unrestricted	156,021,556	221,880,404	195,199,155	181,525,554	182,482,381
Total primary government net position	$ 1,275,778,368	$ 1,473,006,551	$ 1,549,081,740	$ 1,675,468,543	$ 1,852,038,136

(concluded)

Source: Annual Comprehensive Financial Reports

CITY OF DENTON, TEXAS **Table 2**
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	2016	2017	2018	2019	2020
EXPENSES					
Governmental activities:					
General government	$33,847,052	$40,761,972	$37,968,945	$39,051,942	$37,921,928
Public safety	63,118,516	68,546,557	71,945,219	77,883,435	82,119,480
Public works	24,557,482	24,994,628	25,683,779	24,502,864	26,049,847
Parks and recreation	16,043,697	16,792,417	17,422,273	17,710,634	15,759,371
Interest expense	4,664,608	4,970,968	5,379,149	6,750,917	6,757,736
Total governmental activities expenses	142,231,355	156,066,542	158,399,365	165,899,792	168,608,362
Business-type activities:					
Electric system	145,963,753	174,900,860	168,110,899	236,131,640	195,306,979
Water system	26,000,734	28,202,500	27,481,058	29,689,758	32,013,603
Wastewater system	23,921,154	26,730,157	26,284,049	28,317,484	31,018,019
Solid waste	29,435,101	34,532,856	29,028,299	30,541,859	32,370,675
Airport	2,536,460	1,930,767	1,802,703	2,017,380	1,706,646
Total business-type activities expenses	227,857,202	266,297,140	252,707,008	326,698,121	292,415,922
Total primary government expenses	370,088,557	422,363,682	411,106,373	492,597,913	461,024,284
PROGRAM REVENUES					
Governmental activities:					
Charges for services:					
General government	6,015,305	5,266,777	6,489,438	6,460,483	8,007,187
Public safety	9,827,784	8,773,221	8,221,314	7,233,973	5,234,958
Public works	729,528	879,453	649,293	712,953	1,177,961
Parks and recreation	5,268,637	4,414,379	4,852,322	5,868,619	3,022,162
Operating grants and contributions	2,855,501	4,667,791	3,697,696	4,092,532	8,991,320
Capital grants and contributions	5,885,033	17,180,091	33,991,306	28,085,591	34,911,879
Total governmental activities program revenues	30,581,788	41,181,712	57,901,369	52,454,151	61,345,467
Business-type activities:					
Charges for services:					
Electric system	166,290,498	172,027,080	198,748,366	242,437,211	217,111,983
Water system	38,181,034	41,332,006	48,912,059	45,886,900	47,125,123
Wastewater system	31,900,885	33,360,603	35,594,624	35,042,110	36,146,835
Solid waste	31,236,506	33,847,593	33,590,463	34,670,519	36,142,207
Airport	1,183,661	1,495,619	1,625,672	1,397,581	1,286,479
Capital grants and contributions	7,705,101	20,347,889	20,519,510	16,039,076	16,374,066
Total business-type activities program revenues	276,497,685	302,410,790	338,990,694	375,473,397	354,186,693
Total primary government program revenues	307,079,473	343,592,502	396,892,063	427,927,548	415,532,160
NET (EXPENSE)/REVENUE					
Governmental activities	(111,649,567)	(114,884,830)	(100,497,996)	(113,445,641)	(107,262,895)
Business-type activities	48,640,483	36,113,650	86,283,686	48,775,276	61,770,771
Total primary government program net expense	$ (63,009,084)	$ (78,771,180)	$ (14,214,310)	$ (64,670,365)	$ (45,492,124)

CITY OF DENTON, TEXAS **Table 2**
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	2016	2017	2018	2019	2020
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION					
Governmental activities:					
Taxes:					
Property tax	$58,788,255	$64,348,754	$67,185,610	$71,351,314	$75,431,860
Sales tax[1]	32,624,297	36,841,137	38,270,026	38,330,825	39,337,834
Franchise tax	22,659,014	24,211,081	26,007,002	26,160,639	29,503,569
Hotel occupancy tax	2,243,264	2,374,221	2,733,720	3,039,747	2,142,483
Beverage tax	597,284	617,662	632,217	661,823	440,766
Bingo tax	18,910	13,633	11,244	11,445	13,527
Investment income	1,019,594	1,330,008	1,937,579	6,093,100	2,999,094
Gain (Loss) on sale of capital assets	498,265	192,583	188,958	95,760	103,796
Miscellaneous	1,087,504	2,042,274	4,700,466	3,930,285	4,008,679
Transfers	1,184,433	916,940	(1,104,290)	1,018,664	1,296,624
Total governmental activities	120,720,820	132,888,293	140,562,532	150,693,602	155,278,232
Business-type activities:					
Investment income	2,010,008	3,471,635	4,083,560	9,026,713	6,099,964
Gain (Loss) on sale of capital assets	1,197,915	383,741	240,740	-	232,484
Miscellaneous	-	-	-	-	-
Transfers	(1,184,433)	(916,940)	1,104,290	(1,018,664)	(1,296,624)
Total business-type activities	2,023,490	2,938,436	5,428,590	8,008,049	5,035,824
Total primary government	122,744,310	135,826,729	145,991,122	158,701,651	160,314,056
CHANGE IN NET POSITION					
Governmental activities	9,071,253	18,003,463	40,064,536	37,247,961	48,015,337
Business-type activities	50,663,973	39,052,086	91,712,276	56,783,325	66,806,595
Total primary government	$ 59,735,226	$ 57,055,549	$ 131,776,812	$ 94,031,286	$ 114,821,932

(continued on the following page)

Source: Annual Comprehensive Financial Reports

CITY OF DENTON, TEXAS **Table 2**
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	2021	2022	2023	2024	2025
EXPENSES					
Governmental activities:					
General government	$37,401,990	$40,369,454	$53,383,319	$57,475,453	$64,602,853
Public safety	82,678,373	87,970,791	104,695,335	112,543,358	119,030,615
Public works	24,800,411	25,489,369	39,086,849	27,466,868	27,465,600
Parks and recreation	19,295,206	22,787,282	28,096,065	29,842,466	30,703,498
Interest expense	7,380,293	8,571,877	10,198,425	12,698,504	17,359,096
Total governmental activities expenses	171,556,273	185,188,773	$235,459,993	$240,026,649	259,161,662
Business-type activities:					
Electric system	307,772,345	270,421,754	364,624,498	286,616,552	234,784,149
Water system	28,428,703	35,891,682	41,005,645	34,825,913	38,643,794
Wastewater system	32,247,857	36,814,363	41,810,385	46,815,012	52,675,288
Solid waste	32,734,938	34,117,196	38,049,052	41,283,128	43,878,520
Airport	1,674,412	2,437,563	2,421,380	2,680,904	2,850,255
Total business-type activities expenses	402,858,255	379,682,558	487,910,960	412,221,509	372,832,006
Total primary government expenses	574,414,528	564,871,331	723,370,953	652,248,158	631,993,668
PROGRAM REVENUES					
Governmental activities:					
Charges for services:					
General government	8,038,235	12,705,349	9,008,753	8,485,270	11,476,392
Public safety	5,788,122	5,640,947	6,364,307	6,189,289	7,218,413
Public works	775,279	804,751	784,136	527,218	634,097
Parks and recreation	4,150,336	6,052,680	7,547,307	8,286,101	10,341,751
Operating grants and contributions	8,607,304	9,545,392	10,623,546	13,042,489	13,398,515
Capital grants and contributions	23,945,640	34,406,757	27,351,806	35,255,951	31,369,812
Total governmental activities program revenues	51,304,916	69,155,876	61,679,855	71,786,318	74,438,980
Business-type activities:					
Charges for services:					
Electric system	342,640,914	293,811,955	329,513,796	271,665,456	258,295,781
Water system	50,670,242	65,873,478	65,514,614	56,737,921	63,776,494
Wastewater system	38,393,521	46,616,569	47,276,024	46,691,611	56,094,632
Solid waste	37,635,030	40,574,676	39,176,607	40,606,704	44,585,934
Airport	1,586,333	2,239,264	1,896,148	1,896,686	2,293,594
Capital grants and contributions	18,282,891	52,663,359	28,042,612	35,948,742	37,399,047
Total business-type activities program revenues	489,208,931	501,779,301	511,419,801	453,547,120	462,445,482
Total primary government program revenues	540,513,847	570,935,177	573,099,656	525,333,438	536,884,462
NET (EXPENSE)/REVENUE					
Governmental activities	(120,251,357)	(116,032,897)	(173,780,138)	(168,240,331)	(184,722,682)
Business-type activities	86,350,676	122,096,743	23,508,841	41,325,611	89,613,476
Total primary government program net expense	$ (33,900,681)	$ 6,063,846	$ (150,271,297)	$ (126,914,720)	$ (95,109,206)

(continued on the following page)

CITY OF DENTON, TEXAS **Table 2**
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	2021	2022	2023	2024	2025
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION (concluded)					
Governmental activities:					
Taxes:					
Property tax	$78,243,553	$79,552,638	$92,185,668	$106,555,772	$119,835,095
Sales tax[1]	45,404,857	53,264,724	55,906,340	57,074,842	58,972,691
Franchise tax	32,047,074	38,132,032	39,963,334	34,985,074	35,761,375
Hotel occupancy tax	3,074,942	3,684,534	2,894,816	2,965,129	3,319,923
Beverage tax	511,326	671,493	707,315	703,199	724,191
Bingo tax	14,681	15,119	16,581	13,628	15,948
Investment income	326,158	(973,108)	11,029,848	17,015,328	16,357,066
Gain on sale of capital assets	(16,435)	564,787	-	265,262	301,091
Miscellaneous	5,566,698	7,534,118	6,253,238	5,389,536	13,348,644
Transfers	1,975,432	2,913,731	4,017,015	(870,190)	2,645,640
Total governmental activities	167,148,286	185,360,068	$212,974,155	$224,097,580	$251,281,664
Business-type activities:					
Investment income	264,722	(646,799)	17,370,180	27,497,468	22,655,173
Gain on sale of capital assets	111,870	292,007	19,166	836,285	387,604
Miscellaneous	-	-	-	-	-
Transfers	(1,975,432)	(2,913,731)	(4,017,015)	870,190	(2,645,642)
Total business-type activities	(1,598,840)	(3,268,523)	13,372,331	29,203,943	20,397,135
Total primary government	165,549,446	182,091,545	226,346,486	253,301,523	271,678,799
CHANGE IN NET POSITION					
Governmental activities	46,896,929	69,327,171	39,194,017	55,857,249	66,558,982
Business-type activities	84,751,836	118,828,220	36,881,172	70,529,554	110,010,611
Total primary government	$ 131,648,765	$ 188,155,391	$ 76,075,189	$ 126,386,803	$ 176,569,593

(concluded)

Source: Annual Comprehensive Financial Reports

CITY OF DENTON, TEXAS **Table 3**
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	2016	2017	2018	2019	2020
General fund					
Nonspendable	$ -	$ -	$ -	$ -	$ 5,184
Reserved for encumbrances	-	-	-	-	-
Unreserved, designated	-	-	-	-	-
Committed to streets	-	-	-	-	-
Assigned to use of reserves	99,365	-	1,398,704	160,606	-
Unassigned	28,070,483	31,770,773	28,918,681	30,578,238	33,777,027
Total general fund	28,169,848	31,770,773	30,317,385	30,738,844	33,782,211
All other governmental funds					
Restricted for:					
Debt Service	4,893,032	5,409,144	5,529,483	5,453,180	5,325,062
Public Works	-	-			
Parks and recreation	13,553,834	10,599,568	9,153,654	12,723,077	17,586,279
Streets and drainage projects	46,511,509	51,149,305	82,702,916	75,897,954	75,037,095
Other capital projects	13,512,733	18,544,086	21,984,608	20,271,843	30,142,806
Other grants and purposes	3,319,230	4,104,036	7,158,843	7,171,142	5,704,555
Committed to:					
Streets	1,798,624	1,158,667	4,495,971	5,965,815	9,340,552
Parks and recreation	498,150	439,825	520,852	549,415	555,629
Other purposes	5,500,983	6,889,093	3,150,491	3,779,944	3,361,851
Assigned to:					
Streets and drainage projects	3,430,681	7,897,077	10,591,478	10,867,803	4,231,795
Other capital projects	3,728,955	6,945,492	7,440,133	8,907,816	7,459,112
Other purposes	74,558	59	59	61	181
Unassigned	(242,338)	(2,942,377)	(943,930)	(782,684)	(987,611)
Total all other governmental funds	$ 96,579,951	$ 110,193,975	$ 151,784,558	$ 150,805,366	$ 157,757,306

(continued on the following page)

Source: Annual Comprehensive Financial Reports

CITY OF DENTON, TEXAS **Table 3**
FUND BALANCES OF GOVERNMENTAL FUNDS (concluded)
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	2021	2022	2023	2024	2025
General fund					
Nonspendable	$ -	$ -	$ -	$ -	$ -
Reserved for encumbrances	-	-	-	-	-
Unreserved, designated	-	-	-	-	-
Committed to streets	-	-	-	-	-
Assigned to use of reserves	-	-	-	-	-
Unreserved, undesignated, unassigned	38,499,992	45,459,406	44,600,382	42,077,084	42,825,552
Total general fund	38,499,992	45,459,406	44,600,382	42,077,084	42,825,552
All other governmental funds					
Restricted for:					
Debt Service	4,680,742	2,411,532	1,138,403	1,410,137	2,594,012
Public Works		-	-	-	-
Parks and recreation	15,765,777	12,511,791	13,649,187	64,377,599	84,400,650
Streets and drainage projects	58,709,209	59,426,096	48,306,398	65,009,955	81,065,838
Other capital projects	69,314,699	70,482,880	84,667,842	115,961,534	107,390,246
Other grants and purposes	4,771,982	4,974,681	4,955,475	5,770,039	6,564,648
Committed to:					
Streets	12,817,321	11,104,916	17,804,149	17,289,104	16,956,107
Parks and recreation	418,155	53,516	60,000	250,698	227,054
Other purposes	4,902,548	6,605,432	12,454,606	16,180,625	14,979,080
Assigned to:					
Streets and drainage projects	8,402,327	16,492,913	16,382,349	21,860,247	11,464,997
Other capital projects	10,610,950	9,044,538	9,677,154	7,077,752	5,762,916
Other purposes	271	610	750	850	688,112
Unassigned	(809,536)	(507,144)	(407,514)	(1,741,955)	(1,607,531)
Total all other governmental funds	$ 189,584,445	$ 192,601,761	$ 208,688,799	$ 313,446,585	$ 330,486,129

(concluded)

Source: Annual Comprehensive Financial Reports

CITY OF DENTON, TEXAS **Table 4**
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	2016	2017	2018	2019	2020
REVENUES:					
Taxes:					
Property tax	$ 58,802,856	$ 64,317,641	$ 67,055,807	$ 71,393,395	$ 75,413,501
Sales tax	32,624,297	36,841,137	38,270,026	38,330,825	39,337,834
Hotel occupancy tax	2,243,264	2,374,221	2,733,720	3,039,748	2,142,483
Beverage tax	597,284	617,662	632,217	661,823	440,766
Bingo tax	18,910	13,633	11,244	11,445	13,527
Licenses and permits	3,106,162	3,016,697	3,739,691	3,889,820	5,225,128
Franchise fees	22,659,014	24,211,081	26,007,002	26,160,639	29,503,569
Fines and forfeitures	6,433,158	6,039,401	5,539,793	5,147,203	2,621,002
Fees for services	10,927,305	10,395,166	10,536,817	11,583,743	10,328,261
Investment revenue	1,019,594	1,330,008	1,937,579	6,093,100	2,999,094
Intergovernmental	5,217,302	9,647,977	30,518,141	22,477,192	31,907,490
Miscellaneous	1,347,258	2,382,708	5,053,082	5,043,652	4,049,419
Total revenues	144,996,404	161,187,332	192,035,119	193,832,585	203,982,074
EXPENDITURES:					
General government	31,024,356	31,330,757	32,800,175	35,528,063	33,242,486
Public safety	59,067,019	61,156,694	66,355,282	71,257,658	77,408,797
Public works	11,604,966	15,871,804	14,710,211	14,579,218	14,018,054
Parks and recreation	13,987,694	14,140,518	14,671,894	15,221,092	13,118,332
Capital outlay	25,966,695	38,191,803	54,829,949	64,835,885	86,392,357
Debt service:					
Principal retirement	13,390,576	14,351,487	15,429,697	16,904,637	17,929,324
Advance refunding escrow	147,687	103,950	-	-	-
Bond issuance costs	154,948	171,252	284,181	142,226	180,870
Interest and other charges	5,246,925	5,819,949	6,561,442	8,146,969	8,368,163
Total expenditures	160,590,866	181,138,214	205,642,831	226,615,748	250,658,383
Excess (deficiency) of revenues over (under) expenditures	(15,594,462)	(19,950,882)	(13,607,712)	(32,783,163)	(46,676,309)
OTHER FINANCING SOURCES (USES):					
Refunding bonds issued	12,045,000	10,850,000	-	-	2,490,000
Payment to refunded bond escrow agent	(14,075,445)	(11,358,665)	-	-	(2,973,354)
Issuance of long-term debt	22,780,000	33,405,000	56,960,000	25,870,000	49,205,000
Premium on debt issuance	4,317,817	3,077,360	3,206,728	2,006,343	6,250,067
Insurance recoveries	30,624	86,992	18,135	88,954	-
Proceeds of capital lease	150,155	-	-	-	-
Sale of capital assets	530,054	236,068	226,025	17,033	148,586
Transfers in	8,164,575	10,856,904	15,083,695	14,477,744	13,868,308
Transfers (out)	(6,592,842)	(9,987,828)	(21,749,676)	(10,234,644)	(12,316,991)
Total other financing sources (uses)	27,349,938	37,165,831	53,744,907	32,225,430	56,671,616
NET CHANGE IN FUND BALANCES	$ 11,755,476	$ 17,214,949	$ 40,137,195	$ (557,733)	$ 9,995,307
Debt service as a percentage of noncapital expenditures	13.8%	14.1%	14.6%	15.5%	16.0%

Source: Annual Comprehensive Financial Reports

(continued on the following page)

CITY OF DENTON, TEXAS **Table 4**
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS (concluded)
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	2021	2022	2023	2024	2025
REVENUES:					
Taxes:					
Property tax	$ 78,109,665	$ 79,552,638	$ 91,905,213	106,615,248	119,430,058
Sales tax	45,404,857	53,264,724	55,906,340	57,074,842	58,972,691
Hotel occupancy tax	3,074,942	3,684,534	2,894,816	2,965,129	3,319,923
Beverage tax	511,326	671,493	707,315	703,199	724,191
Bingo tax	14,681	15,119	16,581	13,628	15,948
Licenses and permits	5,939,320	9,058,717	6,049,752	5,561,811	6,853,283
Franchise fees	32,047,074	38,132,032	39,963,334	34,985,074	35,761,375
Fines and forfeitures	1,590,416	2,158,848	2,418,953	2,746,442	2,931,953
Fees for services	12,072,118	13,911,934	15,361,361	15,747,807	18,901,926
Investment revenue	326,158	(973,108)	11,029,848	17,015,328	16,357,066
Intergovernmental	23,014,733	21,757,882	28,857,990	31,875,443	30,644,788
Miscellaneous	5,756,438	7,797,900	6,599,451	5,389,536	13,348,644
Total revenues	207,861,728	229,032,713	261,710,954	280,693,487	307,261,846
EXPENDITURES:					
General government	34,002,983	36,260,036	43,404,684	45,235,515	51,089,867
Public safety	81,849,916	88,147,676	98,603,496	109,475,264	115,875,693
Public works	13,657,700	13,524,895	14,754,929	14,438,782	13,553,145
Parks and recreation	16,756,062	20,035,827	23,961,050	26,404,586	26,164,758
Capital outlay	80,873,532	110,971,677	100,357,577	102,098,775	108,556,603
Debt service:					
Principal retirement	19,768,191	21,768,842	22,555,789	24,920,000	29,740,000
Advance refunding escrow	-	55,186	178,390	64,381	-
Bond issuance costs	277,307	638,700	493,070	870,902	478,367
Interest and other charges	8,973,021	10,748,455	12,754,569	14,929,102	21,597,826
Total expenditures	256,158,712	302,151,294	317,063,554	338,437,307	367,056,259
Excess (deficiency) of revenues over (under) expenditures	(48,296,984)	(73,118,581)	(55,352,600)	(57,743,820)	(59,794,413)
OTHER FINANCING SOURCES (USES):					
Refunding bonds issued	1,415,000	2,145,000	9,300,000	3,100,000	10,375,000
Payment to refunded bond escrow agent	(1,691,409)	(2,203,141)	(10,156,875)	(3,430,365)	(11,400,289)
Issuance of long-term debt	75,600,000	63,960,000	60,075,000	145,220,000	70,055,000
Premium on debt issuance	7,098,821	5,255,571	6,811,509	12,513,152	5,292,843
Insurance recoveries		-	-	-	-
Proceeds of capital lease		-	-	-	-
Sale of capital assets	326,682	568,128	205,726	384,737	344,186
Transfers in	16,349,953	21,970,594	33,908,741	19,372,214	17,740,341
Transfers (out)	(14,257,143)	(17,947,311)	(29,563,487)	(17,181,430)	(14,824,656)
Total other financing sources (uses)	84,841,904	73,748,841	70,580,614	159,978,308	77,582,425
NET CHANGE IN FUND BALANCES	$ 36,544,920	$ 630,260	$ 15,228,014	$ 102,234,488	$ 17,788,012
Debt service as a percentage of noncapital expenditures	16.4%	17.0%	16.3%	16.9%	19.9%

Source: Annual Comprehensive Financial Reports **(concluded)**

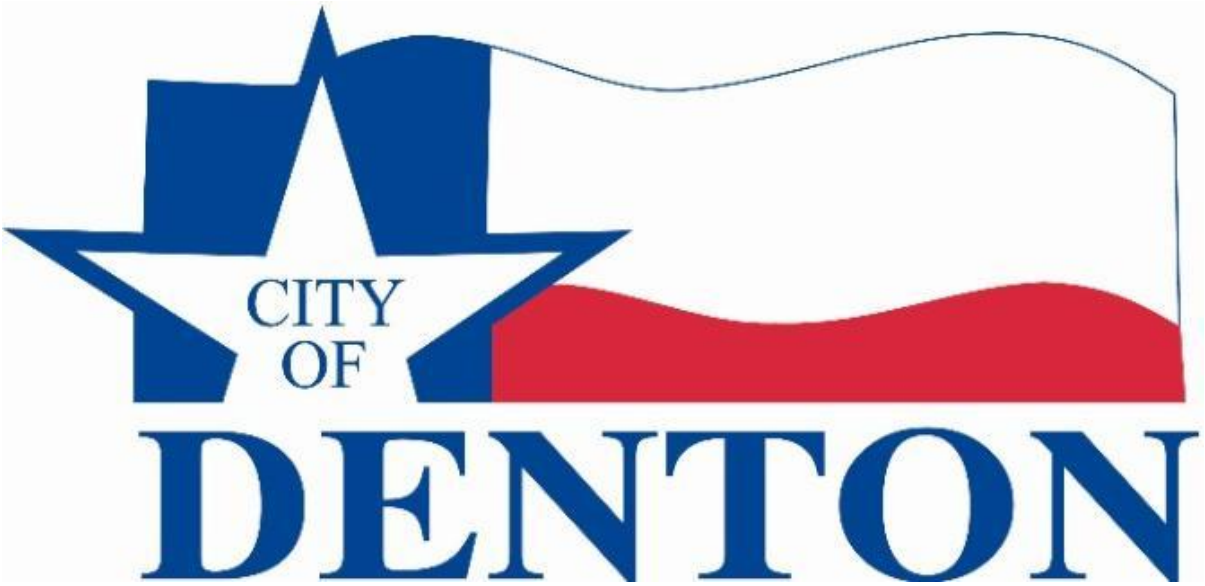
CITY OF DENTON, TEXAS **Table 5**
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

Fiscal Year	Estimated Market Value: Real Property	Estimated Market Value: Personal Property	Less: Tax-Exempt Property	Less: Frozen Value[1]	Total Taxable Assessed Value[2]	Total Direct Tax Rate
2016	8,989,650,946	1,332,290,743	1,858,794,929	-	8,463,146,760	0.68975
2017	9,784,179,133	1,429,040,012	2,040,968,652	-	9,172,250,493	0.68334
2018	11,218,394,767	1,497,275,644	2,298,809,194	-	10,416,861,217	0.63786
2019	12,399,345,379	1,376,428,125	2,348,204,604	112,974,494	11,314,594,406	0.62048
2020	13,680,931,478	1,807,156,540	2,698,699,972	177,067,782	12,612,320,264	0.59045
2021	14,719,186,349	1,653,546,317	2,805,813,775	162,157,709	13,404,761,182	0.59045
2022	15,921,269,742	1,713,104,985	2,994,660,048	263,774,952	14,375,939,727	0.56582
2023	19,253,046,715	1,863,342,050	4,134,344,027	417,132,301	16,564,912,437	0.56068
2024	22,759,562,750	2,115,805,342	5,387,846,880	634,046,001	18,853,475,211	0.56068
2025	24,533,203,394	2,013,394,892	4,998,313,253	909,079,294	20,639,205,739	0.58542

Source: Denton Central Appraisal District

[1]**Fiscal year 2019 marks the first year of the Over 65/Disabled tax limitation (freeze).**

[2]**Total Taxable Assessed Value from 2016-2025 include the Downtown and West Park TIRZ's.**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CITY OF DENTON, TEXAS **Table 6**
PROPERTY TAX RATES (PER $100 OF ASSESSED VALUE)
DIRECT AND OVERLAPPING[1] GOVERNMENTS
LAST TEN FISCAL YEARS

	City of Denton			Overlapping Rates		
					School Districts	
Fiscal Year	Operating Rate	Debt Service Rate	Total Direct Rate	Denton County	Denton Independent School District	Argyle Independent School District
2016	0.47456	0.21519	0.68975	0.262000	1.54000	1.570050
2017	0.46674	0.21660	0.68334	0.248409	1.54000	1.570050
2018	0.43031	0.20755	0.63786	0.237812	1.54000	1.585050
2019	0.40543	0.21505	0.62048	0.225574	1.54000	1.585050
2020	0.38536	0.20509	0.59045	0.225278	1.47000	1.508000
2021	0.38036	0.21009	0.59045	0.224985	1.40760	1.418700
2022	0.35044	0.21537	0.56581	0.233086	1.36200	1.400000
2023	0.35643	0.20425	0.56068	0.217543	1.34460	1.397600
2024	0.35478	0.20590	0.56068	0.189485	1.15920	1.212200
2025	0.33478	0.25064	0.58542	0.187869	1.15690	1.209900

(continued on the following page)

Source: Denton County Tax Office
Denton County Central Appraisal District

[1]**Overlapping rates are those of the school district and county government that apply to property owners within the City of Denton.**

CITY OF DENTON, TEXAS **Table 6**
PROPERTY TAX RATES (PER $100 OF ASSESSED VALUE) (concluded)
DIRECT AND OVERLAPPING[1] GOVERNMENTS
LAST TEN FISCAL YEARS

	Overlapping Rates					
	School Districts					
Fiscal Year	Aubrey Independent School District	Krum Independent School District	Pilot Point Independent School District	Ponder Independent School District	Sanger Independent School District	Total Direct & Overlapping Rates (Range)
2016	1.510000	1.540000	1.370000	1.387500	1.372067	2.321750 - 2.521800
2017	1.510000	1.540000	1.370000	1.467840	1.372067	2.301749 - 2.501799
2018	1.510000	1.540000	1.370000	1.467790	1.372067	2.245668 - 2.460718
2019	1.590000	1.540000	1.370000	1.467790	1.372067	2.216051 - 2.436051
2020	1.568350	1.391830	1.268350	1.467780	1.308350	2.084082 - 2.384082
2021	1.508700	1.345082	1.218600	1.464180	1.197643	2.013078 - 2.324135
2022	1.460300	1.344930	1.160300	1.407780	1.142300	1.941196 - 2.259196
2023	1.442900	1.417500	1.211660	1.347700	1.410600	1.989883 - 2.221123
2024	1.257500	1.232100	1.026260	1.242300	1.147400	1.776427 - 2.007667
2025	1.255200	1.229800	1.026260	1.242300	1.143400	1.799549 - 2.028489

(concluded)

Source: Denton County Tax Office
Denton County Central Appraisal District

[1]**Overlapping rates are those of the school district and county government that apply to property owners within the City of Denton.**

CITY OF DENTON, TEXAS **Table 7**
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO

2025			2016		
Name of Taxpayer	Taxable Assessed Value	Percentage of Total Taxable Assessed Value[1]	Name of Taxpayer	Taxable Assessed Value	Percentage of Total Taxable Assessed Value[2]
PACCAR Inc. (Peterbilt)	$116,192,452	0.56%	PACCAR Inc (Peterbilt)	$97,146,347	1.15%
Denton ICC 35 LLC	97,208,595	0.47%	Columbia Medical Center of Denton (Denton Regional Hospital)	90,617,674	1.07%
TRDWIND Timberlinks Borrower	85,836,660	0.42%	Inland Western Crossing (Denton Crossing)	57,185,000	0.68%
Exeter Denton Land LP	85,324,312	0.41%	Cypress Denton Station LTD (Forum at Denton Station Apartments)	51,401,583	0.61%
RR Town Center Associates LLC	75,976,215	0.37%	ACC OP LLC (U Centre at Fry Street Apartments)	51,300,000	0.61%
Epic Development Inc.	74,521,343	0.36%	RR Marketplace LP (Rayzor Ranch North Shopping Center)	48,684,184	0.58%
NREA GARDENS, DST	72,600,000	0.35%	Timber Links Apartments LLC (The Timber Links	44,500,000	0.53%
JRM Windsor LLC	72,056,824	0.35%	Eagleridge Operating LLC (EagleRidge Energy)	38,227,658	0.45%
WINCO Foods LLC	71,000,000	0.34%	HRA University Courtyard LLC (University Courtyard Apartments)	33,660,000	0.40%
Tetra Pak Inc	69,794,956	0.34%	SCI Gateway at Denton Fund 25 LLC (Gateway at Denton Apartments)	30,718,622	0.36%
Total	$ 820,511,357	3.98%	Total	$ 543,441,068	6.44%

Source: Denton Central Appraisal District

[1]**Total taxable assessed value for tax year 2024 (fiscal year 2025) is $20,639,205,739**

[2]**Total taxable assessed value for tax year 2015 (fiscal year 2016) is $8,463,146,760**

CITY OF DENTON, TEXAS **Table 8**
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

Fiscal Year	Taxes Levied Within the Fiscal Year of the Levy	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Fiscal Year	Total Collections to Date	
		Amount	Percentage of Levy			Amount	Percentage of Levy
2016	58,634,172	58,280,013	99.40%	268,784	2016	58,548,797	99.85%
2017	64,030,255	63,702,954	99.49%	203,321	2017	63,906,275	99.81%
2018	66,830,333	66,493,774	99.50%	202,356	2018	66,696,130	99.80%
2019	70,914,567	70,345,941	99.20%	349,563	2019	70,695,504	99.69%
2020	75,040,101	74,711,122	99.56%	133,684	2020	74,844,806	99.74%
2021	77,955,896	77,539,353	99.47%	45,100	2021	77,584,453	99.52%
2022	79,440,823	79,125,105	99.60%	28,880	2022	79,153,985	99.64%
2023	91,758,521	91,245,193	99.44%	(301,857)	2023	90,943,336	99.11%
2024	106,515,412	106,029,051	99.54%	(561,656)	2024	105,467,395	99.02%
2025	120,022,186	119,191,504	99.30%	-	2025	119,191,504	99.30%

Source: Denton County Tax Assessor

CITY OF DENTON, TEXAS **Table 9**
RATIO OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

	Governmental Activities						Business-Type Activities			
Fiscal Year	General Obligation Bonds	Certificates of Obligation	Premiums, Discounts	Right-to-use liability	Lease Liability	Other Obligations	Revenue Bonds	General Obligation Bonds	Certificates of Obligation	Right-to-use liability
2016	109,861,174	34,565,000	9,250,779	-	-	1,373,230	-	141,063,826	416,465,000	-
2017	118,267,663	49,285,000	10,994,176	-	-	498,062	214,890,000	127,677,337	467,620,000	-
2018	127,647,935	81,200,000	12,515,724	-	-	4,171	214,890,000	111,347,065	447,050,000	-
2019	135,507,957	83,560,000	12,749,386	-	-	-	214,890,000	118,682,043	414,890,000	-
2020	150,187,533	99,295,000	17,024,883	-	-	-	207,310,000	121,872,467	396,900,000	-
2021	193,376,855	115,145,000	22,123,885	-	-	-	341,330,000	110,803,145	437,255,000	-
2022	236,288,240	118,055,000	24,952,600	-	-	-	332,955,000	99,701,760	506,945,000	-
2023	258,005,000	134,630,000	28,677,480	5,003,121	247,072	-	320,520,000	111,900,000	573,285,000	2,670,421
2024	328,400,000	193,855,000	38,270,941	3,664,244	173,686	-	339,010,000	124,070,000	689,255,000	4,739,302
2025	353,395,000	209,590,000	38,949,231	6,114,042	95,481	-	330,070,000	132,280,000	839,365,000	3,153,640

(continued on the following page)

Source: Annual Comprehensive Financial Reports

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

CITY OF DENTON, TEXAS **Table 9**
RATIO OF OUTSTANDING DEBT BY TYPE (concluded)
LAST TEN FISCAL YEARS

	Business-Type Activities				
Fiscal Year	Premiums, Discounts	Other Obligations	Total Primary Government	Percentage of Personal Income[1]	Per Capita[1]
2016	38,514,641	-	751,093,650	0.02494%	5,994.94
2017	69,029,540	-	1,058,261,778	0.03176%	8,230.50
2018	61,504,481	-	1,056,157,358	0.03044%	7,965.29
2019	56,877,139	-	1,037,156,525	0.02752%	7,574.52
2020	57,094,682	-	1,049,684,565	0.02558%	7,446.90
2021	56,775,507	-	1,276,809,392	0.02930%	8,655.45
2022	57,106,692	-	1,376,004,292	0.02882%	9,288.16
2023	58,873,414	-	1,493,811,508	0.02944%	9,935.10
2024	66,772,551	7,500,000	1,795,710,724	0.02914%	11,557.34
2025	71,821,764		1,984,834,158	0.02973%	12,488.50

(concluded)

Source: Annual Comprehensive Financial Reports

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

[1]**See Table 13 for personal income and population data.**

CITY OF DENTON, TEXAS **Table 10**
RATIO OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS

	General Bonded Debt Outstanding						
Fiscal Year	General Obligation Bonds	Certificates of Obligation	Premiums, Discounts	Less: Amounts Available in Debt Service Fund	Total	Percentage of Taxable Value of Property[1]	Per Capita[2]
2016	250,925,000	34,565,000	47,765,420	4,314,370	328,941,050	3.89%	2,625.48
2017	245,945,000	49,285,000	49,644,634	4,666,797	340,207,837	3.71%	2,645.93
2018	238,995,000	81,200,000	46,011,204	4,773,267	361,432,937	3.47%	2,725.84
2019	254,190,000	83,560,000	43,987,604	4,627,301	377,110,303	3.33%	2,754.10
2020	272,060,000	99,295,000	50,850,724	4,515,678	417,690,046	3.31%	2,963.27
2021	304,180,000	115,145,000	57,917,029	3,416,922	473,825,107	3.53%	3,212.05
2022	335,990,000	118,055,000	63,275,504	735,796	516,584,708	3.59%	3,487.00
2023	369,905,000	134,630,000	70,873,311	-	575,408,311	3.47%	3,826.95
2024	452,470,000	193,855,000	90,375,001	-	736,700,001	3.91%	4,741.46
2025	485,675,000	209,590,000	98,009,466	-	793,274,466	3.84%	4,991.25

Source: Annual Comprehensive Financial Reports

(continued on the following page)

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

[1]See Table 5 for property value data.

[2]See Table 13 for population data.

[3]In 2010, the City began issuing Certificates of Obligation not only for general government purposes which are repaid by property taxes, but also for utility related projects of the City. The Certificates of Obligation issued for utility purposes are repaid from the specific utility fund as revenue supported for which the debt was issued.

CITY OF DENTON, TEXAS **Table 10**
RATIO OF GENERAL BONDED DEBT OUTSTANDING (concluded)
LAST TEN FISCAL YEARS

	Tax Supported General Bonded Debt Outstanding			
Fiscal Year	Less: Revenue Supported Debt[3]	Net Tax Supported Debt	Percentage of Actual Taxable Value of Property	Per Capita[2]
2016	596,043,467	(267,102,417)	-3.16%	(2,131.91)
2017	633,947,795	(293,739,958)	-3.20%	(2,284.53)
2018	144,842,545	216,590,392	2.08%	1,633.47
2019	149,920,261	227,190,042	2.01%	1,659.21
2020	155,698,308	261,991,738	2.08%	1,858.68
2021	146,596,289	327,228,818	2.44%	2,218.27
2022	138,024,664	378,560,044	2.63%	2,555.32
2023	154,095,831	421,312,480	2.54%	2,802.08
2024	176,174,060	560,525,941	2.97%	3,607.59
2025	191,340,235	601,934,231	2.92%	3,787.35
				(concluded)

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

[1]See Table 5 for property value data.

[2]See Table 13 for population data.

[3]In 2010, the City began issuing Certificates of Obligation not only for general government purposes which are repaid by property taxes, but also for utility related projects of the City. The Certificates of Obligation issued for utility purposes are repaid from the specific utility fund as revenue supported for which the debt was issued.

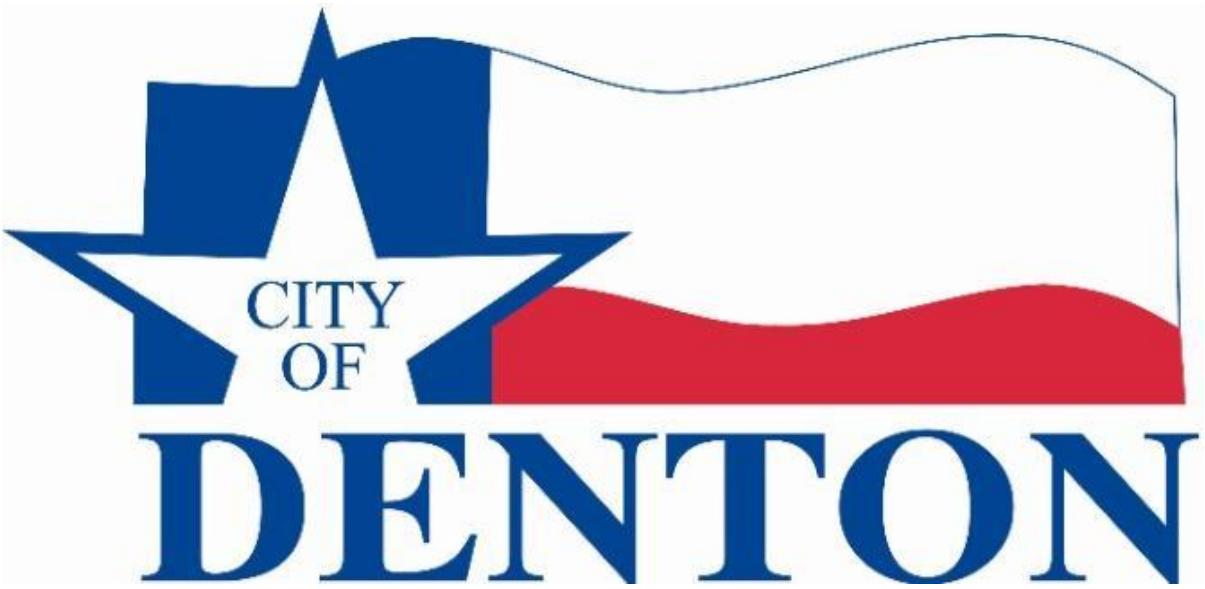
CITY OF DENTON, TEXAS **Table 11**
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF SEPTEMBER 30, 2025

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable[1]	Estimated Share of Overlapping Debt
Debt repaid with property taxes:			
Denton Independent School District	$ 2,385,086,731	57.01%	$ 1,359,737,945
Denton County	721,100,000	11.99%	86,459,890
Argyle Independent School District	670,626,909	6.53%	43,791,937
Aubrey Independent School District	409,646,976	0.00%	-
Krum Independent School District	209,024,284	4.85%	10,137,678
Lake Dallas Independent School District	159,000,040	0.00%	-
Pilot Point Independent School District	40,544,657	0.00%	-
Ponder Independent School District	61,103,375	8.85%	5,407,649
Sanger Independent School District	137,445,105	0.32%	439,824
Subtotal, overlapping debt			1,505,974,923
City of Denton, direct debt			608,143,754
Total direct and overlapping debt			$ 2,114,118,677
Ratio of direct and overlapping funded debt to the City's taxable assessed valuation			10.24%
Per capita overlapping funded debt			13,302

Source: Hilltop

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Denton. This process recognizes that, when considering the City of Denton's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

[1]The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the overlapping government's taxable assessed value that is within the City of Denton's boundaries and dividing it by the overlapping government's total taxable assessed value.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CITY OF DENTON, TEXAS **Table 12**
PLEDGED REVENUE COVERAGE
LAST TEN FISCAL YEARS

	Utility System[1] Revenue Bonds					
Fiscal Year	Operating Revenue	Investment Revenue	Less: Fair Market Value Adjustment to Investment Revenue[2]	Impact Fee Revenue[3]	Less: Operating Expenses Before Depreciation	Add: Franchise Fees and Return on Investment Paid to General Fund[4]
2016	229,086,008	1,772,813	(132,432)	7,286,409	163,392,323	17,027,566
2017	239,310,663	3,150,469	(737,238)	7,409,026	182,455,762	18,215,432
2018	271,387,844	3,599,667	(707,351)	11,867,205	177,438,191	20,089,862
2019	311,420,814	7,852,695	2,174,835	11,945,407	236,743,123	20,527,742
2020	286,680,979	5,338,527	829,978	13,702,962	189,987,335	24,520,095
2021	412,377,440	187,087	(1,341,742)	25,932,237	324,977,625	26,874,761
2022	376,384,805	(657,831)	(3,694,366)	29,917,197	284,659,394	32,247,525
2023	413,929,415	15,594,049	1,415,261	28,375,018	367,025,471	32,044,452
2024	357,994,571	24,162,387	3,467,055	-	298,525,400	29,522,169
2025	348,679,286	20,319,858	(483,861)	-	257,948,688	29,939,273

(continued on the following page)

Source: Annual Comprehensive Financial Reports

[1]**The Utility System includes the Electric, Water, and Wastewater funds.**

[2]**For the coverage calculation, the fair market adjustment to the value of investments is excluded.**

[3]**Determined to exclude impact fees from gross revenues starting FY2024**

[4]**For the coverage calculation, franchise fees and return on investment payments to the General Fund are excluded from operating expenses.**

[5]**Revenue bond covenants required a times coverage of 1.25 or greater through fiscal year 2016. Starting in fiscal year 2017, revenue bond covenants require a times coverage of 1.00 or greater.**

[6]**Total times coverage provided to assess total bond debt related to the Utility System.**

CITY OF DENTON, TEXAS **Table 12**
PLEDGED REVENUE COVERAGE (concluded)
LAST TEN FISCAL YEARS

	Utility System[1] Revenue Bonds							
		Revenue Bond Debt			Certificate of Obligation & General Obligation Bond Debt			
Fiscal Year	Net Available Revenue	Principal	Interest	Times Coverage[5]	Principal	Interest	Times Coverage	Total Times Coverage[6]
2016	91,912,905	10,210,000	2,551,456	7.20	18,800,000	18,258,583	2.48	1.84
2017	86,367,066	-	3,680,389	23.47	25,495,000	21,419,293	1.84	1.71
2018	130,213,738	-	10,685,000	12.19	31,035,000	22,962,237	2.41	2.01
2019	112,828,700	-	10,685,000	10.56	34,805,000	21,067,832	2.02	1.70
2020	139,425,250	7,580,000	10,495,500	7.71	36,710,000	19,938,154	2.46	1.87
2021	141,735,642	7,970,000	10,106,250	7.84	35,170,000	18,529,486	2.64	1.97
2022	156,926,668	8,375,000	12,195,668	7.63	35,105,000	19,372,176	2.88	2.09
2023	121,502,202	12,435,000	12,860,259	4.80	33,488,899	22,746,710	2.16	1.49
2024	109,686,672	12,905,000	12,395,313	4.34	34,285,000	25,589,934	1.83	1.29
2025	141,473,590	29,210,000	13,512,569	3.31	37,390,000	32,957,295	2.01	1.25

(concluded)

Source: Annual Comprehensive Financial Reports

[1]**The Utility System includes the Electric, Water, and Wastewater funds.**

[2]**For the coverage calculation, the fair market adjustment to the value of investments is excluded.**

[3]**Determined to exclude impact fees from gross revenues starting FY2024**

[4]**For the coverage calculation, franchise fees and return on investment payments to the General Fund are excluded from operating expenses.**

[5]**Revenue bond covenants required a times coverage of 1.25 or greater through fiscal year 2016. Starting in fiscal year 2017, revenue bond covenants require a times coverage of 1.00 or greater.**

[6]**Total times coverage provided to assess total bond debt related to the Utility System.**

CITY OF DENTON, TEXAS **Table 13**
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS

Fiscal Year	Estimated Population[1]	Personal Income	Per Capita Income[2]	Median Age[2]	Grade School Enrollment[3]	University Enrollment[4]	Unemployment Rate[5]
2016	125,288	3,011,547,656	24,037	28.4	28,658	50,809	3.5%
2017	128,578	3,332,098,870	25,915	28.5	29,433	50,911	3.1%
2018	132,595	3,469,348,175	26,165	29.1	30,219	51,100	3.1%
2019	136,927	3,768,094,113	27,519	29.9	30,973	52,368	2.8%
2020	140,956	4,103,088,204	29,109	29.1	30,319	48,064	6.5%
2021	147,515	4,357,298,070	29,538	29.5	32,068	51,193	5.6%
2022	148,146	4,773,856,704	32,224	29.5	32,632	57,092	3.2%
2023	150,357	5,073,496,251	33,743	31.1	32,973	59,639	4.0%
2024	155,374	6,162,288,214	39,661	32.0	33,335	58,928	3.8%
2025	158,933	6,676,298,531	42,007	32.1	33,266	58,578	4.7%

Sources:

[1]City of Denton Planning and Development Department estimate.

[2]United States Census and Denton Chamber of Commerce

[3]Denton Independent School District

[4]University of North Texas' and Texas Woman's University's Denton campus enrollment

[5]Texas Workforce Commission estimate

CITY OF DENTON, TEXAS **Table 14**
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO

2024			2016		
Name of Employer	Employees	Percentage of Total City Employment	Name of Employer	Employees	Percentage of Total City Employment
University of North Texas	8,891	13.77%	University of North Texas	8,738	12.54%
Denton Independent School District	4,331	6.71%	Denton Independent School District	4,417	6.34%
Peterbilt Motors-Headquarters & Plant	2,000	3.10%	Peterbilt Motors-Headquarters & Plant	2,314	3.22%
Denton County (in Denton)	1,822	2.82%	Denton State Supported Living Center	1,700	2.44%
Denton State Supported Living Center	1,146	1.77%	Texas Woman's University	1,672	2.40%
City of Denton	1,104	1.71%	Denton County (in Denton)	1,581	2.27%
Texas Presbyterian Hospital	1,100	1.70%	City of Denton	1,566	2.25%
Texas Woman's University	1,077	1.67%	Federal Emergency Management Agency	1,100	1.58%
Medical City Denton	799	1.24%	Texas Presbyterian Hospital	1,076	1.54%
Safran Electrical & Power	571	0.88%	Denton Regional Medical Center	950	1.36%
Total	22,841	35.37%	Total	25,114	35.94%

Source: Office of Economic Development & Denton Chamber of Commerce

CITY OF DENTON, TEXAS **Table 15**
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

Function / Program	2016	2017	2018	2019	2020
General government	229.75	224.75	224.25	226.50	216.25
Public safety					
Police	230.23	249.73	253.73	239.73	258.23
Fire	177.25	184.25	191.25	194.25	197.25
Animal services	13.00	14.00	14.00	16.50	20.00
Municipal Court/Judge	19.00	18.00	17.00	15.50	15.75
Public Safety Communication	-	-	-	30.00	33.50
Public works	54.50	61.00	60.00	55.00	56.00
Parks and recreation	148.48	157.73	157.73	163.93	164.63
Electric system	188.00	191.00	199.00	187.00	189.00
Water system	144.50	151.50	149.00	105.50	107.50
Wastewater system	111.25	111.25	110.00	113.50	125.00
Solid waste	124.50	132.50	132.50	122.50	128.00
Airport	7.50	6.50	6.00	6.00	6.00
Materials management	16.00	17.00	18.00	23.00	26.50
Fleet services	24.00	24.00	23.00	26.00	26.00
Technology services	36.00	43.00	44.00	56.75	61.75
Engineering	34.00	35.00	36.00	52.00	51.00
Risk Retention	8.00	9.00	9.00	10.00	10.00
Customer Service	-	-	-	42.50	45.00
Environmental Services	-	-	-	-	-
Facilities Management	-	-	-	-	20.50
Total	1,565.96	1,630.21	1,644.46	1,686.16	1,757.86

(continued on the following page)

Source: City of Denton Budget Office

[1]Public Safety Communication moved out of Police in

CITY OF DENTON, TEXAS **Table 15**
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM (concluded)
LAST TEN FISCAL YEARS

Function / Program	2021	2022	2023	2024	2025
General government	264.12	295.54	252.63	261.88	272.88
Public safety					
Police	265.73	274.23	289.23	291.23	298.23
Fire	199.25	208.25	223.25	235.25	238.25
Animal services	20.00	22.00	22.00	25.00	28.00
Judge[2]	12.75	2.75	2.75	2.75	2.75
Public Safety Communication[1]	41.50	40.50	42.50	42.50	43.50
Public works	55.00	51.00	110.72	53.00	53.00
Parks and recreation[3]	115.92	121.68	122.68	182.90	181.90
Electric system	173.00	173.00	185.00	188.00	189.00
Water system	104.50	112.50	119.50	110.00	117.00
Wastewater system	108.50	107.50	106.50	101.00	102.00
Solid waste	126.00	128.00	135.00	133.00	131.00
Airport	5.00	6.00	7.50	7.50	7.50
Materials management	23.50	24.00	24.00	23.00	23.00
Fleet services	26.00	27.00	31.00	32.00	32.00
Technology services	57.00	61.00	65.00	69.00	73.00
Engineering	45.00	45.00	52.00	55.00	55.00
Risk Retention	8.00	8.00	12.00	13.00	13.00
Customer Service	43.00	52.00	56.50	61.50	65.50
Environmental Services	-	-	-	32.50	33.50
Facilities Management	17.00	16.00	16.00	20.00	22.00
Total	1,710.77	1,775.95	1,875.76	1,940.01	1,982.01

(concluded)

Source: City of Denton Budget Office

[1]Public Safety Communication moved out of Police in fiscal year 2019 into its own department.

[2]Municipal Court moved into Finance in 2021.

[3]Parks Leisure Services moved from Public Works to Parks and recreation in 2024.

CITY OF DENTON, TEXAS **Table 16**
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

	Fiscal Year				
Function / Program	**2016**	**2017**	**2018**	**2019**	**2020**
Public Safety					
Police					
Calls for service	86,399	87,122	81,672	87,847	90,583
Traffic citations issued	20,207	22,323	20,251	22,747	10,896 [2]
Fire					
Fire calls for service	4,511	4,651	4,978	3,502	4,421
EMS calls for service	8,943	9,687	9,876	9,130	12,091
Inspections (Businesses)	4,361	3,988	4,142	3,537	2,982
Animal Services					
Animals sheltered	5,032	4,944	4,924	5,027	4,059
Animals adopted, transferred, or returned	4,468	4,203	4,236	4,065	3,671
Public Works					
Street repaving (lane miles)	25.69	28.36	32.01	16.89	11.66
Pot holes repaired	15,254	16,972	6,228	6,658	4,837
Cutouts base failures (square feet)	152,002	95,601	328,022	72,819	160,661 [1]
Crack seal maintenance (linear feet)	37,828	119,611	438,240	47,908	- [1]
Parks and Recreation					
Attendance					
Leisure Services	1,007,102	1,082,246	1,166,987	1,000,918	421,364 [2]
Water Park	224,893	232,527	210,171	218,326	- [2]
Total Acres Maintained	2,511	2,206	2,245	1,990	2,081
Water					
Number of customers	34,198	34,714	35,945	36,876	38,082
Annual finished water production (in thousand gallons)	6,301,333	6,368,582	7,141,131	6,706,951	7,178,384
Wastewater					
Number of customers	32,077	32,618	33,987	34,873	35,922
Annual wastewater discharge (in thousand gallons)	6,111,680	5,175,571	4,548,900	5,335,150	5,237,560
Solid Waste					
Monthly average number of customers (residential and commercial)	39,806	41,219	42,499	43,256	44,736
MSW Landfilled (tons)	251,305	268,000	276,537	310,487	401,563
Recycling collections (tons)	113,743	117,155	105,493	48,025	35,680

(continued on the following page)

Source: Various city departments

CITY OF DENTON, TEXAS **Table 16**
OPERATING INDICATORS BY FUNCTION/PROGRAM (concluded)
LAST TEN FISCAL YEARS

	Fiscal Year				
Function / Program	**2021**	**2022**	**2023**	**2024**	**2025**
Public Safety					
Police					
Calls for service	115,209	129,202	128,987	135,892	128,547
Traffic citations issued	7,067	9,441	11,014	14,562	16,336
Fire					
Fire calls for service	5,079	7,307	8,457	7,745	8,189
EMS calls for service	15,001	13,127	13,566	14,917	15,962
Inspections (Businesses)	2,889	3,305	5,277	5,172	4,355
Animal Services					
Animals sheltered	4,431	4,605	4,605	5,485	4,269
Animals adopted, transferred, or returned	3,842	3,056	3,056	4,456	3,770
Public Works					
Street repaving (lane miles)	12.91	9.42	4.26	14.69	6.54
Pot holes repaired	6,803	3,404	3,447	814	1,836
Cutouts base failures (square feet)	202,879	75,745	44,030	83,014	215,634
Crack seal maintenance (linear feet)	134,573	64,680	79,200	164,493 [3]	217,104
Parks and Recreation					
Attendance					
Leisure Services	213,843	721,552	767,427	898,929	914,352
Water Park	71,749	74,245	77,759	110,364	96,297
Total Acres Maintained	5,810	6,826	7,219	7,627	7,641
Water					
Number of customers	39,118	39,494	42,038	44,913	45,579
Annual finished water production (in thousand gallons)	6,887,601	8,140,324	8,726,106	8,518,458 [4]	8,453,257
Wastewater					
Number of customers	36,589	36,562	39,103	41,354	44,043
Annual wastewater discharge (in thousand gallons)	5,261,440	4,821,020	5,203,010	5,309,677	5,620,000
Solid Waste					
Monthly average number of customers (residential and commercial)	46,103	50,683	43,584	42,426	44,038
MSW Landfilled (tons)	437,100	458,395	345,462	341,196	404,248
Recycling collections (tons)	38,827	37,208	38,352	38,683	46,047

(concluded)

Source: Various city departments

[1]The City did less route and seal of the concrete pavement and more clean and seal of asphalt pavement during the year. The drop in # of cutouts and crack seal maintenance was due to resources being allocated to other projects and programs.

[2]These numbers were impacted from the COVID19 pandemic. The Water Park did not open during this year.

[3]The City started only sending a crew out once a week to work on potholes as opposed to have a dedicated crew to potholes.

[4]Implemented an irrigation schedule in FY23-24.

CITY OF DENTON, TEXAS **Table 17**
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

Function / Program	2016	2017	2018	2019	2020
Public safety					
Police					
Police stations	1	1	1	1	1
Police patrol units	141	147	155	168	169
Fire					
Fire stations	7	7	7	7	7
Emergency vehicles	36	36	37	37	34
Animal services					
Animals shelters	1	1	1	1	1
Public works					
Lane miles added per year	8.11	22.45	22.64	85.60	23.49
Streetlights	7,233	7,414	7,771	7,889	8,199
Parks and recreation					
Parks	34	34	34	34	38
Parks and open spaces acreage	2,284	2,284	2,245	4,033	3,906
Recreation centers	12	12	12	12	12
Water					
Water mains (miles)	618	626	631	631	642
Raw water (in thousand gallons)	6,182,450	6,232,032	6,946,073	6,473,664	6,760,814
Wastewater					
Wastewater mains (miles)	521	526	533	533	528
Maximum daily capacity (in million gallons)	25	25	25	25	25
Solid waste					
Landfills	1	1	1	1	1

(continued on the following page)

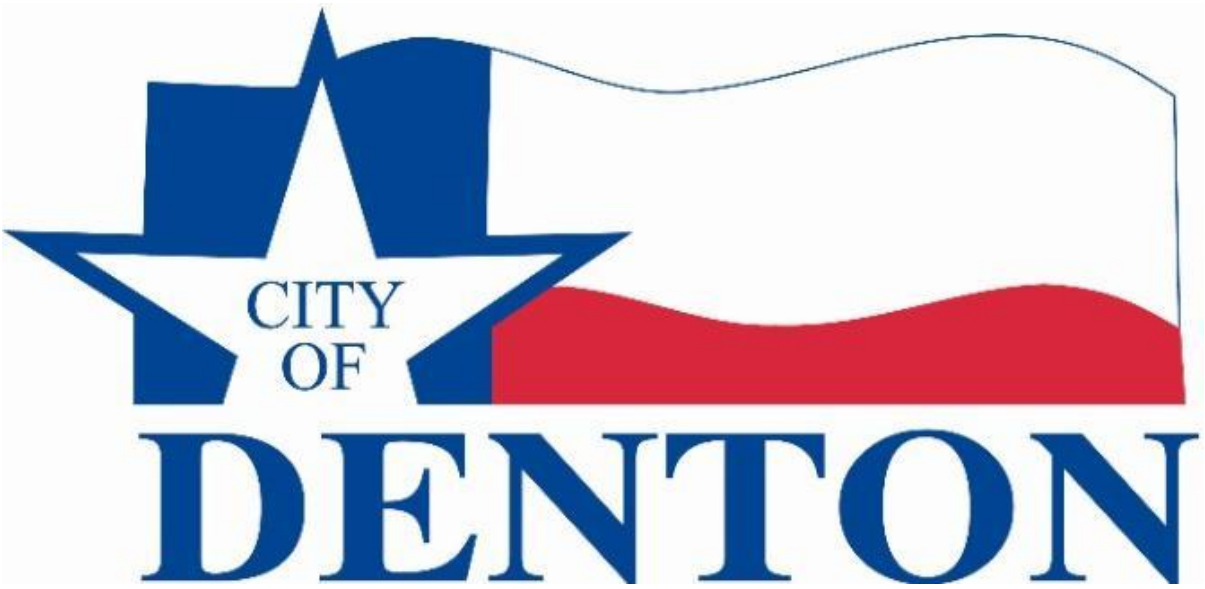
Source: Various city departments

CITY OF DENTON, TEXAS **Table 17**
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM (concluded)
LAST TEN FISCAL YEARS

Function / Program	2021	2022	2023	2024	2025
Public safety					
Police					
Police stations	1	1	1	1	2
Police patrol units	181	250	284	260	255
Fire					
Fire stations	8	8	8	9	9
Emergency vehicles	42	105	119	101	105
Animal services					
Animals shelters	1	1	1	1	1
Public works					
Lane miles added per year	42.65	39.24	8.99	5.61	19.41
Streetlights	9,051	8,036	8,036	9,776	10,044
Parks and recreation					
Parks	38	38	41	43	44
Parks and open spaces acreage	5,025	5,895	5613	5820	5653
Recreation centers	12	12	12	13	13
Water					
Water mains (miles)	676	665	699	699	703
Raw water (in thousand gallons)	6,790,254	7,988,110	8,726,000	8,518,000	8,503,000
Wastewater					
Wastewater mains (miles)	544	568	561	596	590
Maximum daily capacity (in million gallons)	25	25	21	21	26
Solid waste					
Landfills	1	1	1	1	1

(concluded)

Source: Various city departments


CITY
OF
DENTON

CITY OF DENTON, TEXAS **Exhibit XXX**
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Budgeted Amounts		Actual on a Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES:				
Personnel Services	$ 3,312,130	$ 3,299,010	$ 3,324,166	$ (25,156)
Materials and Supplies	46,978	44,605	16,473	28,132
Maintenance and Repairs	-	-	-	-
Insurance	29,233	29,233	21,203	8,030
Miscellaneous	215,775	218,148	167,350	50,798
Operations, Services	430,571	429,116	350,845	78,271
Transfers - Interfund	186,244	218,744	212,711	6,033
Fixed Assets	32,500	-	-	-
City Manager's Office	4,253,431	4,238,856	4,092,748	146,108
Personnel Services	600,044	600,044	588,968	11,076
Materials and Supplies	600	600	741	(141)
Maintenance and Repairs	-	-	-	-
Insurance	38,126	38,126	27,653	10,473
Miscellaneous	1,000	1,000	1,188	(188)
Operations, Services	64,062	64,062	22,230	41,832
Transfers - Interfund	41,200	41,200	39,866	1,334
Fixed Assets	-	-	-	-
Cable Television	745,032	745,032	680,646	64,386
Personnel Services	629,016	629,016	549,675	79,341
Materials and Supplies	500	500	214	286
Maintenance and Repairs	-	-	-	-
Insurance	8,310	8,310	6,027	2,283
Miscellaneous	-	-	1,000	(1,000)
Operations, Services	156,745	156,745	125,608	31,137
Transfers - Interfund	50,223	50,223	48,597	1,626
Fixed Assets	-	-	-	-
Internal Audit	844,794	844,794	731,121	113,673
Personnel Services	1,094,752	1,094,752	1,091,843	2,909
Materials and Supplies	250,245	250,245	18,631	231,614
Maintenance and Repairs	-	-	-	-
Insurance	13,617	13,617	9,876	3,741
Miscellaneous	-	-	1,500	(1,500)
Operations, Services	559,098	559,098	283,858	275,240
Transfers - Interfund	130,166	130,166	125,951	4,215
Fixed Assets	-	-	-	-
Public Communications	2,047,878	2,047,878	1,531,659	516,219
Personnel Services	3,074,471	3,074,471	2,809,910	264,561
Materials and Supplies	25,000	27,500	16,832	10,668
Maintenance and Repairs	500	500	-	500
Insurance	57,673	57,673	41,831	15,842
Miscellaneous	52,500	52,500	49,876	2,624
Operations, Services	862,207	862,207	573,170	289,037
Transfers - Interfund	398,323	398,323	382,933	15,390
Fixed Assets	2,500	-	-	-
Human Resources	4,473,174	4,473,174	3,874,552	598,622
Personnel Services	3,545,577	3,545,577	3,218,919	326,658
Materials and Supplies	131,530	131,530	96,267	35,263
Maintenance and Repairs	-	-	-	-
Insurance	31,701	31,701	22,993	8,708
Miscellaneous	-	-	-	-
Operations, Services	199,655	199,655	65,637	134,018
Transfers - Interfund	157,713	157,713	152,606	5,107
Fixed Assets	-	-	-	-
Legal Administration	4,066,176	4,066,176	3,556,422	509,754

(continued on the following page)

CITY OF DENTON, TEXAS **Exhibit XXX**
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Budgeted Amounts		Actual on a Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES:				
Personnel Services	534,740	534,740	589,034	(54,294)
Materials and Supplies	32,176	32,176	760	31,416
Maintenance and Repairs	-	-	-	-
Insurance	5,148	5,148	3,734	1,414
Miscellaneous	-	-	-	-
Operations, Services	52,935	52,935	41,617	11,318
Transfers - Interfund	75,656	75,656	73,206	2,450
Fixed Assets	-	-	-	-
Municipal Judge	700,655	700,655	708,351	(7,696)
Personnel Services	3,206,125	3,206,125	3,208,484	(2,359)
Materials and Supplies	25,228	33,228	18,195	15,033
Maintenance and Repairs	-	-	-	-
Insurance	48,368	48,368	35,082	13,286
Miscellaneous	43,181	43,181	1,275	41,906
Operations, Services	202,824	145,324	119,475	25,849
Transfers - Interfund	286,556	336,056	340,211	(4,155)
Fixed Assets	-	-	-	-
Planning	3,812,282	3,812,282	3,722,722	89,560
Personnel Services	3,900,515	3,900,515	3,763,237	137,278
Materials and Supplies	51,162	51,162	15,023	36,139
Maintenance and Repairs	-	-	-	-
Insurance	65,102	65,102	47,219	17,883
Miscellaneous	-	-	-	-
Operations, Services	242,962	242,962	207,847	35,115
Transfers - Interfund	214,890	214,890	207,931	6,959
Fixed Assets	-	-	-	-
Building Inspections	4,474,631	4,474,631	4,241,257	233,374
Personnel Services	-	-	-	-
Materials and Supplies	-	-	-	-
Maintenance and Repairs	-	-	-	-
Insurance	-	-	-	-
Miscellaneous	-	-	-	-
Operations, Services	-	-	-	-
Transfers - Interfund	-	-	-	-
Fixed Assets	-	-	-	-
Gas Well Review	-	-	-	-
Personnel Services	802,518	802,518	729,680	72,838
Materials and Supplies	18,345	17,995	11,404	6,591
Maintenance and Repairs	-	-	-	-
Insurance	85,399	85,399	61,940	23,459
Miscellaneous	280	630	305	325
Operations, Services	158,873	158,873	105,251	53,622
Transfers - Interfund	-	-	-	-
Fixed Assets	-	-	-	-
Community Improvement	1,065,415	1,065,415	908,580	156,835

(continued on the following page)

CITY OF DENTON, TEXAS **Exhibit XXX**
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Budgeted Amounts		Actual on a Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES:				
Personnel Services	1,292,381	1,292,381	1,146,848	145,533
Materials and Supplies	43,000	43,000	23,336	19,664
Maintenance and Repairs	-	-	-	-
Insurance	24,009	24,009	17,414	6,595
Miscellaneous	800	800	245	555
Operations, Services	43,850	43,850	27,810	16,040
Transfers - Interfund	267,506	267,506	258,844	8,662
Fixed Assets	-	-	-	-
Municipal Court	1,671,546	1,671,546	1,474,497	197,049
Personnel Services	5,179,407	5,179,407	4,744,229	435,178
Materials and Supplies	47,541	40,041	20,842	19,199
Maintenance and Repairs	1,800	1,800	1,195	605
Insurance	61,019	61,019	44,257	16,762
Miscellaneous	1,630	1,630	1,010	620
Operations, Services	262,032	269,532	170,379	99,153
Transfers - Interfund	1,008,282	1,008,282	975,632	32,650
Fixed Assets	-	-	-	-
Finance	6,561,711	6,561,711	5,957,544	604,167
Personnel Services	843,385	843,385	849,787	(6,402)
Materials and Supplies	12,300	12,300	5,281	7,019
Maintenance and Repairs	-	-	-	-
Insurance	10,716	10,716	7,773	2,943
Miscellaneous	30,600	30,600	30,009	591
Operations, Services	5,088,227	5,088,227	4,909,629	178,598
Transfers - Interfund	67,790	67,790	65,595	2,195
Fixed Assets	-	-	-	-
Economic Development	6,053,018	6,053,018	5,868,074	184,944
Personnel Services	15,325,619	15,325,619	15,268,138	57,481
Materials and Supplies	1,770,385	1,757,713	1,437,520	320,193
Maintenance and Repairs	986,387	986,387	855,317	131,070
Insurance	512,962	512,962	372,055	140,907
Miscellaneous	413,134	413,134	250,909	162,225
Operations, Services	5,656,866	5,594,266	5,771,523	(177,257)
Transfers - Interfund	2,645,487	2,720,759	2,718,323	2,436
Fixed Assets	9,916	9,916	-	9,916
Parks & Recreation	27,320,756	27,320,756	26,673,785	646,971
Personnel Services	1,496,078	1,496,078	1,542,449	(46,371)
Materials and Supplies	-	-	27	(27)
Maintenance and Repairs	8,000	8,000	10,054	(2,054)
Insurance	18,600	18,600	13,491	5,109
Miscellaneous	1,290	1,290	1,824	(534)
Operations, Services	112,000	112,000	110,743	1,257
Transfers - Interfund	72,613	72,613	70,262	2,351
Fixed Assets	-	-	-	-
Development Review	1,708,581	1,708,581	1,748,850	(40,269)
Personnel Services	5,150,254	5,150,254	4,989,713	160,541
Materials and Supplies	134,027	129,492	119,704	9,788
Maintenance and Repairs	62,287	67,287	61,171	6,116
Insurance	168,640	168,640	122,315	46,325
Miscellaneous	-	-	-	-
Operations, Services	681,119	678,250	661,928	16,322
Transfers - Interfund	763,185	763,185	725,843	37,342
Fixed Assets	484,567	486,971	477,031	9,940
Library	7,444,079	7,444,079	7,157,705	286,374

(continued on the following page)

CITY OF DENTON, TEXAS **Exhibit XXX**
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025

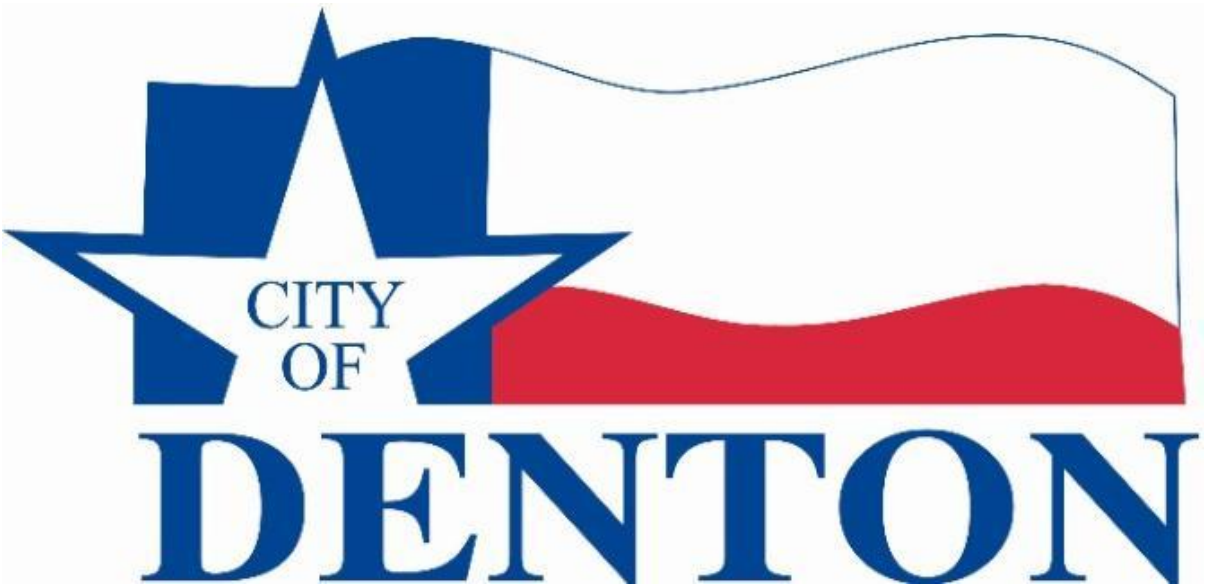
	Budgeted Amounts		Actual on a Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES:				
Personnel Services	1,167,525	1,180,644	1,218,378	(37,734)
Materials and Supplies	27,275	27,275	9,363	17,912
Maintenance and Repairs	1,014,300	1,014,300	901,308	112,992
Insurance	45,210	45,210	32,791	12,419
Miscellaneous	2,400	2,400	339	2,061
Operations, Services	126,071	126,071	136,140	(10,069)
Transfers - Interfund	708,757	708,757	492,282	216,475
Fixed Assets	-	-	-	-
Traffic Operations	3,091,538	3,104,657	2,790,601	314,056
Operations, Services	950,000	950,000	1,008,703	(58,703)
Street Lighting	950,000	950,000	1,008,703	(58,703)
Personnel Services	48,689,318	48,689,318	47,665,196	1,024,122
Materials and Supplies	947,392	1,031,640	851,857	179,783
Maintenance and Repairs	21,150	21,150	6,894	14,256
Insurance	1,889,060	1,889,060	1,370,408	518,652
Miscellaneous	564,903	484,903	258,770	226,133
Operations, Services	2,209,223	2,220,626	2,016,796	203,830
Transfers - Interfund	4,950,570	4,950,570	4,790,260	160,310
Fixed Assets	83,000	67,350	-	67,350
Police	59,354,616	59,354,617	56,960,181	2,394,436
Personnel Services	2,858,053	2,858,053	2,542,651	315,402
Materials and Supplies	457,960	451,515	466,527	(15,012)
Maintenance and Repairs	30,000	24,208	26,820	(2,612)
Insurance	81,363	81,363	59,013	22,350
Miscellaneous	2,000	2,000	1,733	267
Operations, Services	776,452	786,538	1,091,305	(304,767)
Transfers - Interfund	250,678	250,843	242,725	8,118
Fixed Assets	-	1,986	-	1,986
Animal Services	4,456,506	4,456,506	4,430,774	25,732
Personnel Services	38,168,121	38,168,121	40,644,581	(2,476,460)
Materials and Supplies	1,111,866	1,102,546	1,074,009	28,537
Maintenance and Repairs	209,162	218,482	216,757	1,725
Insurance	1,197,671	1,197,671	868,674	328,997
Miscellaneous	94,330	94,330	83,210	11,120
Operations, Services	2,324,260	2,324,260	2,875,087	(550,827)
Transfers - Interfund	1,849,677	1,849,677	1,789,781	59,896
Fixed Assets	74,000	74,000	13,320	60,680
Fire	45,029,087	45,029,087	47,565,419	(2,536,332)

(continued on the following page)

CITY OF DENTON, TEXAS **Exhibit XXX**
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (concluded)
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Budgeted Amounts		Actual on a Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES:				
Personnel Services	1,130,487	1,130,487	1,006,588	123,899
Materials and Supplies	11,335	11,335	2,893	8,442
Maintenance and Repairs	-	-	-	-
Insurance	18,572	18,572	13,470	5,102
Miscellaneous	2,135,706	2,135,706	1,847,996	287,710
Operations, Services	61,362	61,362	34,571	26,791
Transfers - Interfund	120,937	120,937	117,021	3,916
Fixed Assets	-	-	-	-
Agency Contributions	3,478,399	3,478,399	3,022,539	455,860
Personnel Services	(1,987,504)	(1,987,504)	56,305	(2,043,809)
Materials and Supplies	36,666	36,666	-	36,666
Maintenance and Repairs	-	-	-	-
Insurance	111,267	111,267	80,702	30,565
Miscellaneous	192,400	185,336	204,029	(18,693)
Operations, Services	2,022,377	2,030,896	2,337,637	(306,741)
Transfers - Interfund	10,259,009	13,582,641	9,281,848	4,300,793
Fixed Assets	18,000	18,000	-	18,000
Administrative Cost	3,323,632	-	-	-
Miscellaneous/Finance	13,975,847	13,977,302	11,960,521	2,016,781
Personnel Services	140,013,012	140,013,011	141,548,779	(1,535,768)
Materials and Supplies	5,181,511	5,233,064	4,205,899	1,027,165
Maintenance and Repairs	2,333,586	2,342,114	2,079,516	262,598
Insurance	4,521,766	4,521,766	3,279,921	1,241,845
Miscellaneous	3,751,929	3,667,588	2,902,568	765,020
Operations, Services	23,243,771	23,156,855	23,047,789	109,066
Transfers - Interfund	24,505,462	27,986,531	23,112,428	4,874,103
Fixed Assets	704,483	658,223	490,351	167,872
Administrative Cost	3,323,632	-	-	-
TOTAL GENERAL FUND	$ 207,579,152.00	$ 207,579,152.00	$ 200,667,251.00	$ 6,911,901.00

(concluded)


CITY
OF
DENTON

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City of Denton, Texas

Federal and State Single Audit Reports
Year Ended September 30, 2025

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C O N T E N T S

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* 1

Independent Auditor's Report on Compliance for Each Major Federal and State Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal and State Awards Required by the Uniform Guidance and the State of Texas Grant Management Standards 3

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2300 North Field Street, Suite 1000
Dallas, Texas 75201
972-490-1970

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Honorable Mayor and
Members of the City Council
of the City of Denton, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Denton, Texas, (the City), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 17, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented. or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Honorable Mayor and
Members of the City Council
of the City of Denton, Texas

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P

Dallas, Texas
March 17, 2026

2300 North Field Street, Suite 1000
Dallas, Texas 75201
972-490-1970

Independent Auditor's Report on Compliance for Each Major Federal and State Program, Report on Internal Control over Compliance, and Report on Schedule of Expenditures of Federal and State Awards Required by the Uniform Guidance and the State of Texas Grant Management Standards

The Honorable Mayor and
Members of the City Council
of the City of Denton, Texas

Report on Compliance for Each Major Federal and State Program

Opinion on Each Major Federal and State Program

We have audited City of Denton, Texas (the City)'s compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* and Texas Grant Management Standards (TxGMS) issued by the Texas Comptroller of Public Accounts Statewide Procurement Division that could have a direct and material effect on each of the City's major federal and state programs for the year ended September 30, 2025. The City's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended September 30, 2025.

Basis for Opinion on Each Major Federal and State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States *(Government Auditing Standards)*; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Texas Grant Management Standards (TxGMS). Our responsibilities under those standards, the Uniform Guidance, and TxGMS are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal and state program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's federal and state programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and TxGMS will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal and state program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and TxGMS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and TxGMS, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The Honorable Mayor and
Members of the City Council
of the City of Denton, Texas

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and TxGMS. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal and State Awards Required by the Uniform Guidance and TxGMS

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated March 17, 2026, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by the Uniform Guidance and TxGMS and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal and state awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P

Dallas, Texas
March 17, 2026

City of Denton, Texas

Schedule of Expenditures of Federal and State Awards

For the Year Ended September 30, 2025

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL ASSISTANCE LISTING NUMBER	GRANT I.D.NUMBER	EXPENDITURES	PASSED THROUGH TO SUBRECIPIENTS
FEDERAL AWARDS				
U.S. Department of Housing and Urban Development				
Direct Awards:				
Community Development Block Grant	14.218	B-19-MC-48-0036	$ 67,416	$ -
Community Development Block Grant	14.218	B-21-MC-48-0036	119,564	107,116
Community Development Block Grant	14.218	B-23-MC-48-0036	58,259	-
Community Development Block Grant	14.218	B-24-MC-48-0036	848,739	118,496
COVID-19 - Community Development Block Grant CARES	14.218	B-20-MC-48-0036	10,453	-
Subtotal - CDBG - Entitlement Grants Cluster			1,104,431	225,612
Home Investment Partnerships Program	14.239	M-20-MC-48-0223	120,634	-
Home Investment Partnerships Program	14.239	M-21-MC-48-0223	64,532	-
Home Investment Partnerships Program	14.239	M-24-MC-48-0223	47,199	
ARP Home Investment Partnerships Program	14.239	M-21-MP-48-0223	814,150	814,150
Subtotal - Assistance Listing # 14.239			1,046,515	814,150
Total U.S. Department of Housing and Urban Development			2,150,946	1,039,762
U.S. Department of Justice				
Direct Awards:				
U.S. Marshals Violent Offenders Task Force	16.000	VOTF	11,167	-
North Texas Organized Crime Task Force	16.000	NTOCTF	19,331	-
Subtotal - Assistance Listing # 16.000			30,498	-
BJA Edward Byrne Memorial Justice Assistance Grant	16.738	15PBJA-22-GG-02269-JAGX	21,796	21,796
BJA Edward Byrne Memorial Justice Assistance Grant	16.738	15PBJA-23-GG-03829-JAGX	9,075	5,481
Subtotal - Assistance Listing # 16.738			30,871	27,277
Equitable Sharing Program	16.922	TX0610200	232,917	-
The Patrick Leahy Bulletproof Vest Program	16.607	2023BOBX23036853	4,196	-
Passed through Denton County Friend of the Family				
Improving Criminal Justice Responses	16.590	15JOVW-21-GG-02041-ICJR	35,254	-
Total U.S. Department of Justice			333,736	27,277
U.S. Department of Transportation				
Passed through Texas Department of Transportation:				
Green Ribbon Landscaping Improvements Program	20.205	2681-01-026	38,558	-
Green Ribbon HW 377 Landscaping Enhancement	20.205	0081-04-045	357,469	-
School Connection Sidewalks	20.205	0918-46-267	64,129	-
Safe Routes to School-Ginnings Elementary School & Lee Elementary School	20.205	0918-46-305	129,937	-
Bonnie Brae From Windsor Drive to US 77	20.205	0918-46-319	3,405,949	-
Subtotal - Assistance Listing # 20.205			3,996,042	-
National Priority Safety Programs	20.616	2025-DentonPD-PG-00002	90,601	-
National Priority Safety Programs	20.616	2025-DentonPD-IDM-00011	26,147	-
Subtotal - Highway Safety Cluster			116,748	-
Total U.S. Department of Transportation			4,112,790	-
U.S. Department of Treasury				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	5,216,739	365,405
Total U.S. Department of Treasury			5,216,739	365,405

The Notes to the Schedule of Expenditures of Federal and State Awards are an integral part of this schedule.

City of Denton, Texas

Schedule of Expenditures of Federal and State Awards - Continued

For the Year Ended September 30, 2025

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL ASSISTANCE LISTING NUMBER	GRANT I.D.NUMBER	EXPENDITURES	PASSED THROUGH TO SUBRECIPIENTS
Institute of Museum and Library Services				
Passed through Texas State Library and Archives Commision (TSLAC):				
Interlibrary Loan Program	45.310	LS-253655-OLS-23	6,960	-
Special Projects 75 2025	45.310	LS-256843-OLS-24	74,597	-
Total Institute of Museum and Library Services			81,557	-
U.S. Department of Homeland Security				
Direct Awards:				
Staffing for Adequate Fire and Emergency Response (SAFER) Grant	97.083	EMW-2020-FF-00715	49,350	-
Staffing for Adequate Fire and Emergency Response (SAFER) Grant	97.083	EMW-2021-FF-01282	1,676,153	-
Staffing for Adequate Fire and Emergency Response (SAFER) Grant	97.083	EMW-2022-FF-01860	815,234	-
Subtotal - Assistance Listing # 97.083			2,540,737	-
Passed through Texas A&M Engineering Extension Office:				
National Urban Search & Rescue Response System	97.025	47-100-769	71,178	-
Passed through Texas Division of Emergency Management (TDEM):				
Disaster Grants-Public Assistance-Summer Fire Weather 2024	97.036	N/A	117	-
Disaster Grants-Public Assistance-Wildfire Season 2025 ST125	97.036	N/A	94,339	-
Disaster Grants-Public Assistance-Wildfire Season 2025 ST128	97.036	N/A	17,013	-
Disaster Grants-Public Assistance-Crabapple FMAG	97.036	N/A	5,451	-
Subtotal - Assistance Listing # 97.036			116,920	-
Passed through Office of the Governor - Homeland Security Grants Division:				
UASI-SWAT Helmets & Communication Devices	97.067	EMW-2023-SS-00025	1,357	-
2024 UASI-HAZMAT	97.067	EMW-2024-SS-05096	98,642	-
2024 UASI-SWAT	97.067	EMW-2024-SS-05096	31,309	-
Subtotal - Assistance Listing # 97.067			131,308	-
Total U.S. Department of Homeland Security			2,860,143	-
U.S. Department of the Interior				
Passed through Texas Parks and Wildlife Department				
Villages of Carmel Park Property	15.916	48-01241	83,900	-
Total U.S. Department of the Interior			83,900	-
Federal Aviation Administration				
Passed through Texas Department of Transportation Aviation Division:				
COVID-19 Airport Coronavirus Relief Grant	20.106	21TWDENTN	34,162	-
Airport Master Plan	20.106	24MPDNTON	553,420	-
Total Federal Aviation Administration			587,582	-
U.S. Department of Agriculture				
Passed through Texas A&M Forest Service				
Community Forestry Program	10.664	CO-24-172	20,000	-
Total U.S. Department of Agriculture			20,000	-
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 15,447,393	$ 1,432,444

The Notes to the Schedule of Expenditures of Federal and State Awards are an integral part of this schedule.

City of Denton, Texas

Schedule of Expenditures of Federal and State Awards – Continued

For the Year Ended September 30, 2025

STATE GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	GRANT I.D. NUMBER	EXPENDITURES	PASSED THROUGH TO SUBRECIPIENTS
STATE AWARDS			
Office of the Texas Attorney General			
Chapter 59 Asset Forfeiture Award	N/A	$ 266,538	$ -
Total Office of the Texas Attorney General		266,538	-
Texas Department of Transportation			
Airport Maintenance Grant	M2418DNTO	99,359	-
RTR-Bonnie Brae Road - From IH35 East to US 377	0918-46-245	7,159,997	-
RTR-Hickory Creek Road Project	0918-46-290	681	-
RTR-Hickory Creek FM 1830 to Riverpass Drive	0918-46-332	177,249	-
Total Regional Toll Revenue (RTR) Transportation Projects		7,337,927	-
Total Texas Department of Transportation		7,437,286	-
Texas Intrastate Fire Mutual Aid System			
Training Tuition Grant	N/A	1,635	-
Total Texas Intrastate Fire Mutual Aid System		1,635	-
Texas Commission on Environmental Quality			
Passed through North Central Texas Council of Governments:			
Solid Waste Implementation Grant	22-04-02	65,027	-
Solid Waste Implementation Grant	22-04-03	79,000	-
Solid Waste Implementation Grant	582-24-50093	47	-
Total Texas Commission on Environmental Quality		144,074	-
Texas Comptroller of Public Accounts			
Police-Law Enforcement Officer Standards & Education	N/A	3,180	-
Total Texas Comptroller of Public Accounts		3,180	-
Texas Commission on the Arts			
High Quality Arts Programming - TCA Halloween Grant	N/A	44,686	-
Total Texas Commission on the Arts		44,686	-
Texas State Library and Archives Commission (TSLAC)			
Interlibrary Loan Program	904223	8,550	-
Total Texas State Library and Archives Commission		8,550	-
TOTAL EXPENDITURES OF STATE AWARDS		$ 7,905,949	$ -
TOTAL EXPENDITURES OF FEDERAL AND STATE AWARDS		$ 23,353,342	$ 1,432,444

The Notes to the Schedule of Expenditures of Federal and State Awards are an integral part of this schedule.

City of Denton, Texas

Notes to Schedule of Expenditures of Federal and State Awards

Note 1. General

The accompanying Schedule of Expenditures of Federal and State Awards presents the activity of all applicable federal and state awards of City of Denton, Texas (the City). The City's reporting entity is defined in Note 1 to the City's basic financial statements. Federal and state awards received directly from federal and state agencies as well as federal awards passed through other government agencies are included on the schedule of expenditures of federal and state awards (the schedule). The information in the schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Texas Grant Management Standards (TxGMS). Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position of the City.

Note 2. Basis of Accounting

The accompanying schedule is presented using the modified accrual basis of accounting. The modified accrual basis of accounting is described in Note 1 to the City's basic financial statements.

Note 3. Relationship to Federal and State Financial Reports

Amounts reported in the accompanying schedule may not agree with amounts reported in the related federal and state financial reports with grantor agencies because of accruals which would be included in the next report filed with the agencies.

Note 4. Indirect Costs

The City has elected not to use the 15% de minimis indirect cost rate allowed under Uniform Guidance.

City of Denton, Texas

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2025

Section I - Summary of Auditor's Results

Basic Financial Statements:

An unmodified opinion was issued on the financial statements.

Internal control over financial reporting:

- Material weakness(es) identified? ____ Yes __X__ No
- Significant deficiency(ies) identified that is (are) not considered to be material weakness(es)? ____ Yes __X__ None reported

Noncompliance which is material to the basic financial statements noted? ____Yes __X__ No

Federal and State Awards:

Internal control over major programs:

- Material weakness(es) identified? ____ Yes __X__ No
- Significant deficiency(ies) identified that is (are) (are) not considered to be material weakness(es)? ____ Yes __X__ None reported

An unmodified opinion was issued on compliance for each major program.

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) or State of Texas Grant Management Standards? ____ Yes __X__ No

Identification of major programs:

Assistance Listing Number/Grant Identification Number	Name of Federal or State Program
Major Federal Programs:	
14.239	Home Investment Partnerships Program
20.205	Highway Planning and Construction
Major State Program:	Regional Toll Revenue (RTR) Transportation Projects

Dollar threshold used to distinguish Between type A and type B programs: $1,000,000 for federal and state programs

Auditee qualified as low-risk for federal single audit? __X__ Yes ____ No

City of Denton, Texas

Schedule of Findings and Questioned Costs - Continued
For the Year Ended September 30, 2025

Section II - Financial Statement Findings

None

Section III - Federal and State Awards Findings and Questioned Costs

None

Section IV – Schedule of Prior Year Findings and Questioned Costs

None